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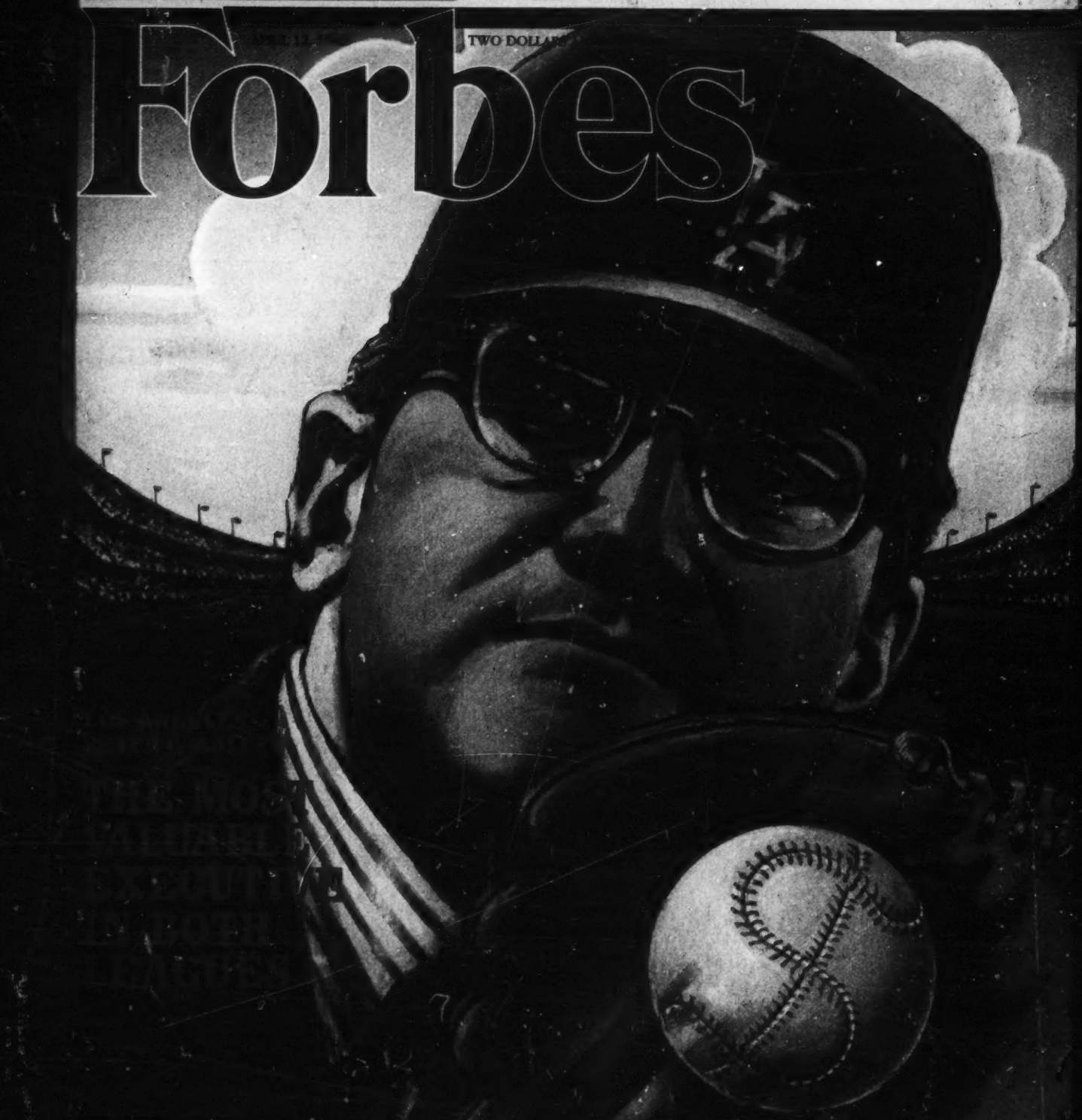
**Special Report**

**The Saudis' big push into petrochemicals**

# Forbes

APRIL 12, 1982 TWO DOLLARS



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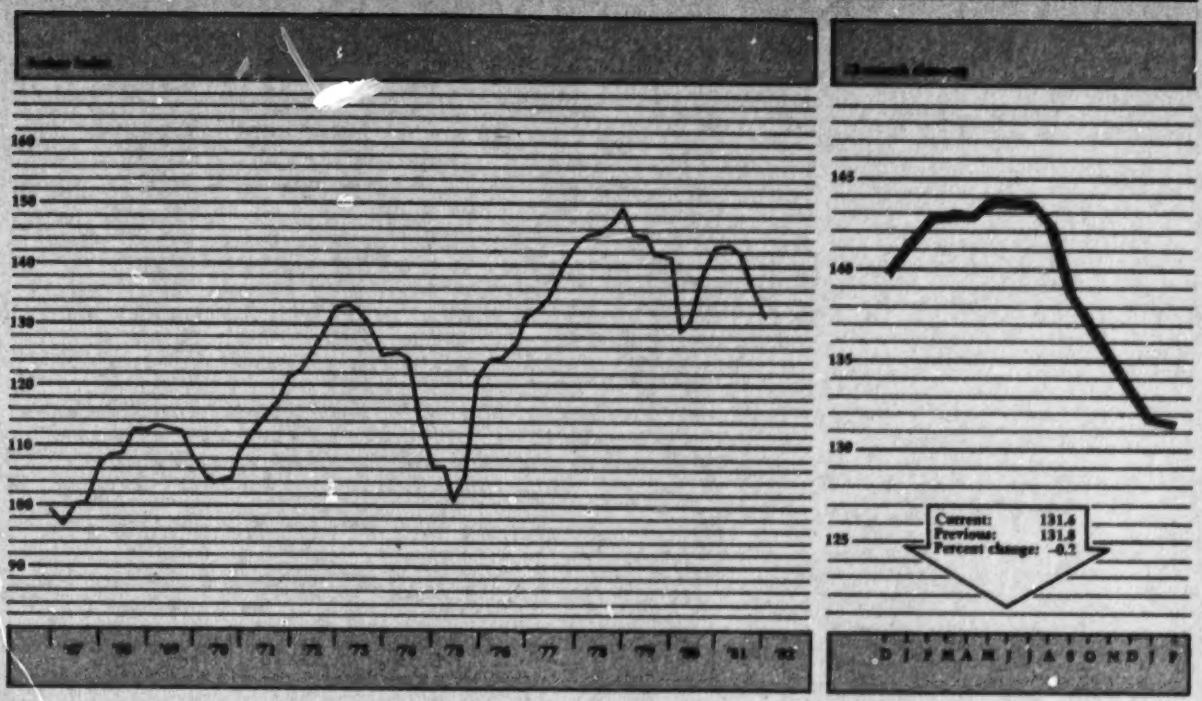
# The Forbes Index

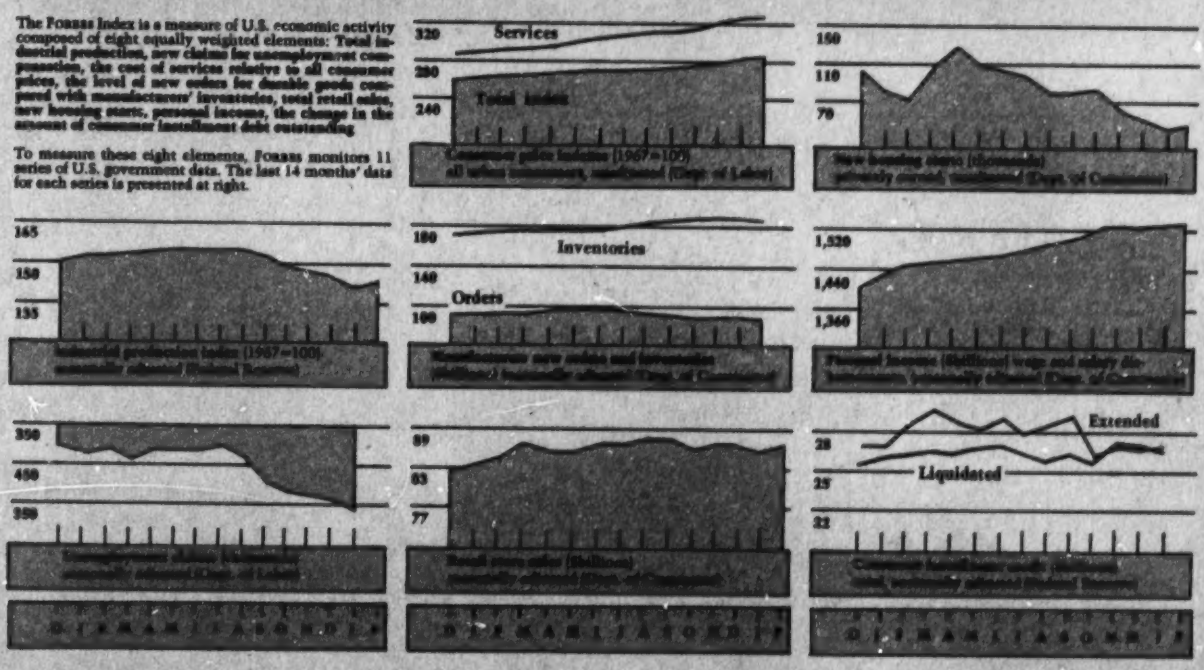



**Bright spots.** The Forbes Index was down only slightly, mainly because several economic indicators turned in surprisingly strong showings. Industrial production rose 1.6% in February, while new housing starts jumped 7.3% from January's dismal level. Most important, consumer spending began to accelerate as retail sales increased 1.6%. Personal income also posted a gain, rising 0.5%. Since consumers are expected to lead the way to recovery, higher income and sales could mean an upturn is at hand. Optimism, however, may be premature. The improvement could be due to the fact that January results were extremely poor and a bounceback was inevitable.

## The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



*Peter O'Malley doesn't quarrel with his players on television, doesn't brawl in public places and isn't crazy about seeing his name in the papers. What kind of baseball club owner is that?*

# The most valuable executive in either league

By John Merwin

"BASEBALL," the late Phil Wrigley, chewing-gum magnate and owner of the hapless Chicago Cubs, once observed, "is too much a sport to be a business and too much a business to be a sport." Scarcely a day passes without a bit of news—a club demanding tax subsidies for a stadium here, a seven-figure salary demand there, a commissioner berated everywhere—that strengthens Wrigley's rueful point.

Club owners deal with the changes wracking the national game in different ways. There is, notoriously, the "management by tantrum" style of George Steinbrenner, who seems to believe the game is played in a sandbox. His idea of sound player relations is to go on national television, as he did last fall when his Yankees lost the World Series, and apologize to the city of New York for having only the second best of baseball's 26 major league teams.

California Angels owner Gene Autry pretends the game is a hobby, spending freely and losing millions. There is also the Wrigley school, of course, which says: Don't even pretend. Manage your club as if it were a stamp collection. Last year the Wrigley family, which had owned the club for 60 years, had mercy on Cub fans and sold the team, which has not won a pennant since 1945.

In sharp contrast to all such styles is the strategy employed by Peter O'Malley, owner of the Los Angeles Dodgers. While Steinbrenner was carrying on before ABC Sports television cameras last fall, O'Malley, whose Dodgers had come from behind to lick the Yankees 4 to 2, was doing everything he could think of to stay out of camera range. Standing 6 feet tall, with the healthy glow that comes of a lifetime standing in the sun tracking pop flies, O'Malley looks big enough to play Steinbrenner's game of uproar and confrontation. But O'Malley, 44, winces even at personal press coverage. A University of Pennsylvania business-law graduate who was carefully groomed for ownership by his father and predecessor, the late Walter O'Malley, Peter runs the Dodgers simply—astonishingly—treating baseball as a business. Unsubsidized by broadcasting profits like Autry, say, or by McDonald's hamburger profits like San Diego Padres owner Ray Kroc, Peter O'Malley maintains his ball park, pays his players and keeps them in baseballs, at $3.50 apiece, solely on what the club itself makes each year.

How's he doing? Drop by the Los Angeles ticket office and ask to see a Dodger season-ticket location. For $486, you can buy a quaint little spot by the foul pole, just beyond 26,000 other seats already purchased by season-ticket holders. That's $12 million up front, drawing interest. Couple that with 6,000 group tickets sold before each home game, plus 1,000 advance-mail tickets, and the Dodgers will draw 33,000 fans a night this year without selling another ticket on the day of the game. (Average major league attendance is about 21,000.)

Barring earthquakes or economic collapse, the Dodgers may draw 3.5 million home fans this year, about 43,000 a game (almost all of them at night), shattering the major league record of 3.3 million set by—who else?—the Dodgers in 1978. They also own the second, third and fourth place season-attendance marks.

All this means big bucks, at least by sports standards. Though O'Malley is tight-lipped about finances, the best guess is that Dodger revenues run about $30 million to $35 million and that pretax income is in the $8 million vicinity. Most think the franchise is worth at least $30 million, not to mention the real estate carried on tax rolls at $32 million. When Walter O'Malley died in 1979, he left it all to Peter and his sister Terry.

Beyond question, the quality of Dodger baseball is a factor in O'Malley's fortune. In the past decade, while compiling the third-best win-loss percentage among baseball's 26 teams, the Dodgers have finished second four times, third twice and have played in four World Series.

Important as it is, though, winning is *not* the only thing in running a profitable sports business. The Dodgers are the best-run franchise in all of baseball because of a lot of other things they do right. Compare Dodger Stadium, for example, to another entertainment success on the West Coast—Disneyland. Dodger Stadium is squeaky clean, beautifully landscaped and rests in a striking setting. As at Disneyland, Dodger Stadium attendants—even in the parking lot—are civil. The bathrooms are clean and safe.

There is a touch of IBM in the way the O'Malleys, Walter and Peter, have built an organization—something bigger than an owner's ego. Walter O'Malley joined the Dodger front office in 1943. At the time, after 53 years of

struggle in Brooklyn (whose citizens were once known as "trolley dodgers," hence the team name), the club was near spiritual and financial bankruptcy. O'Malley spent the next decade rebuilding Brooklyn into a winner. In 1958—scathingly denounced, of course, in the New York press—he moved the franchise to a more lucrative market, Los Angeles, where, 12 years later, he handed it over to Peter.

One business lesson Peter learned at his father's right hand is the value of team press coverage. Years ago Walter O'Malley occasionally produced off-season headlines by creating phony holdouts—secretly signing important players but pretending they were still mad as hell, and far apart, on a new contract. Under Peter, the Dodgers have since refined promotion to a finer art form of giveaways, speeches, sports clinics and media events. But management remains stingy about home-game television exposure, passing up perhaps $5 million for annual rights, fearing damage to home attendance.

The $20 million stadium Peter O'Malley regularly fills by such means is all his, free and clear, the only major league stadium to be privately financed since 1923, when Colonel Jacob Ruppert, the beer baron, built Yankee Stadium. Realizing that his surroundings were no longer the grime of New York, but the cleanliness and family atmosphere of Los Angeles and Disneyland, Walter O'Malley spent more than $1 million landscaping Dodger Stadium, planting olive trees and palms in the parking lots and installing a Japanese garden in center field, backed by spectacular mountain scenery. Despite attention to detail, the stadium opened in 1962 without water fountains, whereupon the press instantly concluded from that fact that it was an O'Malley plot to sell more beer. Not so, the Dodger organization has always maintained. But it's beyond argument that Peter's father knew how to pinch a dime and was a tough negotiator, the kind of guy who could go into a revolving door behind you and come out in front.

In any organization, on the field or off, stability counts. Of 225 executives and staff in the Dodger front office, many have been with the team for two to three decades, a few over 40 years. Turnover is almost nil, even in the secretarial ranks.

That pattern is matched on the ballfield. Take Walter Alston, who managed the Dodgers for 23 seasons. "When we had a poor season, they didn't panic. I still had my job," Alston recalls. "When we had a good year and won the World Series, though, I didn't push too hard [on salary]." Alston was succeeded by Tom Lasorda, who has spent 33 years with the Dodgers. Contrast that stability with George Steinbrenner, who has fired eight managers in just eight years.

"Baseball was my father's only business," says Peter O'Malley. "I'll bet every time on the shop owner who comes early and stays late to mind his store." The value of that single-mindedness—financial and otherwise—is shown in the steady flow of young players pulsing through the Dodger organization. "During the strike," O'Malley remarked earlier this month at Vero Beach, the huge Dodger training complex in Florida, looking out on 120 athletes gamboling there, "we cut back on almost everything. But we didn't cut a dime from scouting and minor leagues." IBM calls it R&D. The Dodgers call it "player development."

Most major league teams, their minor league farm systems ravaged by television decades ago, no longer support big scouting staffs. They rely on "The Bureau," a shared scouting pool headquartered at Newport Beach, Calif.

*Dodger President Peter O'Malley at Vero Beach, Fla.*
***"You can't survive outbidding others for free agents."***

which distributes tips on young ball players, who then are further evaluated by individual teams' own (skeletal) scouting staffs. The Dodgers, in contrast, maintain 24 full-time and 22 part-time scouts who scour the U.S. and Latin America looking for potential stars. It costs a pretty penny—some $3 million a year, according to one well-informed source—and produces about three new major leaguers a year, costing the Dodgers about $1 million per success. But at a time for baseball when even mediocre free agents can command several hundred thousand dollars in open bidding, there's a lot to be said for the Dodger way.

The Dodgers jumped into the free-agent market one time several years ago and got burned badly, paying $5 million for two pitchers who bombed out that year. O'Malley says he won't make that mistake again. "You can't survive as an owner-operator if you think you're going to outbid other teams for free agents," he says. "I think Gene Autry has spent more money on free agents and in trades than anybody, and he hasn't won a pennant yet. If Autry had spent half that money on minor league development he'd have been better off."

Incubation takes place at the Dodger training camp in Vero Beach, a town where the local 7-Eleven sells 12 kinds of chewing tobacco. The "Dodgertown" grounds themselves—450 acres, holding three diamonds, lockers, showers, cafeteria, pressroom and broadcast studios—have no equal in baseball. Dodgertown also has swimming, tennis, golf and fishing facilities, making it the Club Med of spring-training camps. But it's the intangibles at Vero that say much more about the Dodger success formula.

Under the great Branch Rickey, who pioneered talent-raising techniques at the St. Louis Cardinals before he came to Brooklyn in 1943, the Dodgers were the first major league team to bring both major and minor leaguers together in one camp, allowing minor leaguers opportunity to steep themselves in Dodger tradition. A youngster coming into camp from a farm club not only has a chance to eat, talk and play with current stars, he also has an opportunity to visit with Dodger legends. Sandy Koufax, Roy Campanella and Walter Alston spend each spring with the Dodgers, and while they can help young players improve their skills, the intangible transaction is even more important. Young players can't help but notice that the Dodgers stick with men who have contributed to the team's legend, particularly in the case of Campanella, whose brilliant career as a catcher was snuffed out by a near-fatal auto accident. That builds loyalty. Perhaps it's no surprise, then, that when the 1982 Dodger season begins on Apr. 6, most of the starting players on the roster will be men who have spent their entire careers with the organization—a rarity in baseball's have glove will travel atmosphere.

## Secret (and highly visible) weapon

A few years ago somebody ran a poll to choose the most popular Dodger. The winner wasn't even in uniform. He was the team's network play-by-play announcer, Vince Scully.

By radio KABC and television KTTV, Scully has taught the game to an entire generation of Angelenos, many of whom had never seen major league baseball before the Dodgers moved to California in 1958, just when the transistor radio craze hit. By the tens of thousands fans pressed radios to their ears as Scully skillfully laid out the game below.

*Broadcaster Vince Scully*

The transistor radio phenomenon scaled unparalleled heights one night when Scully noticed it was umpire Frank Secory's birthday. "On the count of three," Scully said over the airways, "let's sing 'Happy Birthday' to the second base umpire." With Scully leading, the Coliseum reverberated in song. Secory nearly fainted.

Once Scully even tried his managerial skills from the broadcast booth. The game was the last of the 1965 season. The Dodgers had clinched the pennant the night before. Midway in that last game Dodger Manager Walter Alston phoned Scully from the dugout and told him to take over. Scully noted that Ron Fairly, the Dodger runner on first, was a player who on a good day ran as if he were in slow motion. On this day Fairly was badly hung over from the previous night's celebration. Scully advised his listeners: "Watch Ron Fairly's double take when he sees the third base coach flash the steal sign I'm ordering." Fairly did, and the crowd roared. Fairly took off on the next pitch, which was fouled away, so it took a second Scully steal sign to move Fairly to second base, on a dropped pitch.

Scully joined the Dodgers in 1950 as a 21-year-old kid fresh out of Fordham. The Dodgers were looking for a third announcer to complement Connie Desmond and Red ("They're tearin' up the pea patch") Barber. He made $5,000 his first year. Scully became the team's lead announcer in 1955 and has been an institution ever since. Today he lives in posh Pacific Palisades near President Reagan's former home, and tools to work in a Cadillac.

One secret to Scully's success is his appeal to adult female Dodger fans, who make up an unusually high 30% of the stadium crowd. Late in tight games Scully often describes emotions of a Dodger wife sitting below watching her husband at bat. "It's like Tom Wolfe's story of the space program, *The Right Stuff*," Scully resonantly intones, making no apologies. "Wolfe wrote a lot about the astronauts in that book, but he also wrote an awful lot about their wives."

One woman who will always remember Scully is a grateful Los Angeles housewife whose husband was a dedicated Scully listener. "My husband is a postman who gets up early, so he sometimes falls asleep at night listening to the Dodger game," she wrote Scully. "The radio is on his side of the bed, so to turn it off, I have to crawl across him. . . . I want you to be the first to know that we're expecting our third child in September."—J.M.

The care and feeding of these athletic talents normally resembles sound practice in animal husbandry. Like dairy cows or laying hens, players are pampered in their primes, and when the curtain falls on a career, they are usually disposed of as quickly and quietly as possible. Often that's not the case in Los Angeles. For instance, some years ago Peter O'Malley learned that a Los Angeles pawnshop had a Dodger World Series ring. O'Malley dashed over and retrieved the ring, which belonged to Don Newcombe, a Dodger pitching hero of the 1950s. O'Malley tracked Newcombe down and brought him back into the organization. Today he heads the team's community relations department. Last season the Dodgers steered a 25-year-old pitcher, Bob Welch, into an alcohol rehabilitation program. Welch coauthored a book on the experience and today is pitching better than ever. It takes nothing away from the decency of such gestures to observe that attention to player morale also makes business sense.

The Dodger organization looks after wives and children, too, with special care. While most teams provide transportation to spring training only for players and employees, the Dodgers also fly wives and kids to Dodgertown. While their husbands are getting their weight down, wives enjoy free tennis lessons, aerobic dancing classes, golf and, this spring, a trip to the Bahamas. The kids even get a Dodger "Christmas" party in March.

The Dodgers offer another perk no other team enjoys—their very own Boeing 720, worth a couple of million dollars when O'Malley bought it in 1970. While other ball players spend hours in airports waiting for planes, perhaps drinking too much, the Dodgers climb aboard promptly after a game and fly out. "It's our secret weapon," smiles O'Malley, who pays dearly for the privilege of wielding it. The average major league club budgets between $600,000 and $800,000 a season on travel and lodging. Because of the plane the Dodgers are spending more but think it's worth it. All-star first baseman Steve Garvey swears the plane is "worth two or three extra wins a year"—a critical margin in a tight pennant race.

Peter O'Malley's management and marketing strategies have been dismissed by one critic, who still hasn't forgiven the club for leaving Brooklyn, as "middle-American, white bread." Visitors to Dodger Stadium, he points out, are not likely to hear a soloist sing the national anthem in a jazzed-up fashion. The team has no mascot standing on the dugout leading cheers. Management won't show a close call against the Dodgers on the instant-replay scoreboard for fear it might incite the crowd and anger the umpires. Tom Lasorda has even flatly banned beards and long hair on his players, and you won't see any in O'Malley's front office either.

All such signs merely amount to O'Malley's mania for

## "You're not just an everyday 8-to-5 man"

A ball player has got to be kept hungry to become a big leaguer," Joe DiMaggio once said. "That's why no boy from a rich family ever made it to the big leagues." DiMaggio's ball player is an American archetype. He's the kid who left high school to pay his dues in the minor leagues, playing in nowhere towns like Appleton, Oneonta, Elmira, enduring dim lights, lumpy fields, fast food and long bus rides, dreaming of the day when he might bring a major league crowd to its feet with a no-hitter or a base-clearing double.

But more and more the Dodgers are dealing with a different type of athlete, more likely to be a middle-class college kid than a poor, functional illiterate of an earlier time. Consider Paul Voigt, a rosy-cheeked, 6-foot-2-inch pitcher from Long Island. Voigt, 23, has a good curveball. But he also has a degree in electrical engineering from the University of Virginia. When he wasn't throwing breaking stuff in the minors last season, Voigt was working with Sperry computers designed for Trident submarines. After practice he spent time writing in his journal and occasionally reading Poe or Thoreau, habits that inspired teammates to nickname him College Joe.

*Pitcher Paul Voigt*

Last winter Voigt was traded from the Minnesota Twins organization to the Dodgers. Instead of playing for the Twins' Visalia, Calif. farm club (class A), where he was 17-6, he will probably pitch for the Dodgers in San Antonio class AA or Albuquerque class AAA. "Right now, realistically I don't have much of a chance to make the big league ball club," Voigt says. "Maybe I'll make it in a year or two."

Voigt's example shows why many young players are thrilled to leave a threadbare organization to play for the Dodgers. In the Twins training camp, he says, he ate powdered eggs for breakfast, chopped meat for dinner, usually in an airport motel. The pay, about $600 a month, kept him eating peanut butter and jelly sandwiches during the season. He also had to wash his own uniform, even on the road.

The Dodger training camp is a different story. "Crab, prime rib or T-bone every night," Voigt glows. He doesn't have to wash his own uniforms, and the pay is about 50% better. He'll earn $900 a month during the five-month season.

But there's a sharp tradeoff between playing for the lowly Twins, a talent-short organization, and for the Dodgers, a team Voigt describes as congested with coaching and playing talent. "I've learned more in one week of Dodger spring training than I learned in 2½ years with the Twins," Voigt says.

But here's the tradeoff. Last year in Visalia one of Voigt's teammates, first baseman Ken Hrbek, was handed a ticket to New York, where the next night he got into the game for the Minnesota Twins and blasted a 12th-inning home run to down the mighty Yankees. That's not likely to happen to Voigt this year.

Voigt, whose father works for Sperry Rand and whose mother is a nurse, isn't worried about the uses of poverty according to DiMaggio. "People look up to a ball player. You're not just an everyday 8-to-5 man."—J.M.

## Scorecards

**When it comes to drawing paying customers through their gates, the Dodgers are in a class by themselves. Barring earthquake or economic collapse, Los Angeles has hopes of drawing 3.5 million customers this season, which would break the major-league attendance record set by the Dodgers—who else?—in 1978.**

**National League attendance, 1980**

| Team | Total attendance | Average home attendance | Stadium capacity | Attendance as % of capacity |
|---|---|---|---|---|
| 1 Los Angeles | 3,249,287 | 40,115 | 56,000 | 71.6% |
| 2 Philadelphia | 2,651,691 | 33,996 | 64,564 | 52.6 |
| 3 Houston | 2,281,217 | 29,208 | 45,000 | 64.9 |
| 4 Montreal | 2,226,059 | 29,442 | 58,870 | 50.0 |
| 5 Cincinnati | 2,022,450 | 26,611 | 52,495 | 50.7 |
| 6 Pittsburgh | 1,646,757 | 22,253 | 54,449 | 40.9 |
| 7 St. Louis | 1,395,397 | 17,314 | 49,832 | 34.7 |
| 8 Chicago | 1,192,070 | 15,879 | 37,241 | 42.6 |
| 9 New York | 1,185,203 | 15,658 | 54,401 | 28.8 |
| 10 San Diego | 1,139,026 | 14,603 | 47,000 | 31.1 |
| 11 San Francisco | 1,095,167 | 14,053 | 58,255 | 24.1 |
| 12 Atlanta | 1,044,412 | 13,616 | 52,785 | 25.8 |

*Source: Office of the Commissioner of Baseball*

**American League attendance, 1980**

| Team | Total attendance | Average home attendance | Stadium capacity | Attendance as % of capacity |
|---|---|---|---|---|
| 1 New York | 2,627,417 | 33,258 | 56,895 | 58.5% |
| 2 California | 2,296,827 | 28,362 | 65,193 | 43.5 |
| 3 Kansas City | 2,288,714 | 28,609 | 40,635 | 70.4 |
| 4 Boston | 1,922,251 | 24,761 | 33,549 | 73.8 |
| 5 Milwaukee | 1,857,408 | 24,122 | 53,616 | 45.0 |
| 6 Baltimore | 1,802,088 | 22,468 | 53,196 | 42.2 |
| 7 Detroit | 1,780,293 | 23,491 | 52,107 | 45.1 |
| 8 Toronto | 1,414,362 | 18,671 | 43,700 | 42.7 |
| 9 Chicago | 1,200,364 | 16,005 | 44,796 | 35.7 |
| 10 Texas | 1,198,175 | 15,561 | 41,284 | 37.7 |
| 11 Cleveland | 1,033,827 | 14,359 | 75,708 | 19.0 |
| 12 Oakland | 842,259 | 11,230 | 50,219 | 22.4 |
| 13 Seattle | 836,205 | 10,453 | 59,438 | 17.6 |
| 14 Minnesota | 769,206 | 10,537 | 45,919 | 22.9 |

assuring a Disneylike atmosphere for the paying fans. Yet there is no evidence that this preoccupation with the "family touch" has ever interfered with cold-blooded business decisions any more today than in Walter's day. Player personnel vice president Al Campanis, who handles trades, once dealt his own son, a catcher, away from the Dodgers. "I didn't think he was good enough to make our ball club," Campanis says dryly.

The toughest decisions these days, of course, involve players' money demands. Any major league ball club good enough to have a shot at its league championship has a player payroll of at least $6 million. For some big spenders—the Yankees, the Angels and the Astros come to mind—the total player payroll approaches $10 million.

Talking about the problem, O'Malley sounds rather like a manufacturer determined to be the low-cost producer in his market. "With salaries today getting as high as they are," O'Malley says, "if you have confidence in a younger player coming up, you're much better off to go with him than the 35-year-old veteran." That's because hungry kids work cheaper than confident old pros.

This year the Dodgers face an especially tough test of that philosophy when the six-year, reported $360,000-a-year contract of Steve Garvey comes up for renewal. On the open market Garvey is worth at least $1 million a year. Though Garvey is something of a Dodger legend already, O'Malley has some leverage—two strong first basemen waiting in the minor league wings. That's another good reason to have a strong minor league organization.

Perhaps the most difficult test of O'Malley's determination has been the Fernando Valenzuela standoff. Valenzuela, the 21-year-old Mexican pitching sensation who came out of nowhere last year to win 13 games in the regular (strike-shortened) season and one more in the World Series, was on a $42,500, first-year contract. The left-hander held out for a second year at $850,000. The Dodgers, trying to avoid fracturing their entire pay scale, offered Valenzuela $350,000. After a three-week holdout, Valenzuela, a second-year player with no real bargaining rights, gave up and joined the team on Mar. 23.

Even as they haggled, the Dodgers' management strategy was at work. While Valenzuela's agent deliberately generated headlines, O'Malley remained nearly silent. As O'Malley saw it, Valenzuela's biggest, most salable asset, aside from his wicked screwball, was his image as a poor, innocent Mexican youth who, the public wants to believe, has no earthly interests except winning ball games. Remaining as quiet and unprovocative as possible, O'Malley hoped to make the dispute no worse than it had to be. Meantime, he believed that Valenzuela's own agent, if not the kid himself, would recognize the risks involved to the Fernando image and retreat from the $850,000 figure.

Though the Valenzuela episode was trouble enough, there's more to come. The Dodgers have six important contract renewals coming up in the next two years, all similar to Garvey's. These alone could easily raise O'Malley's payroll $5 million if he were to pay free-market rates—not an easy pill to swallow when your estimated revenues are about $30 million to $35 million and you have earned a reputation for giving your customers good value. This year O'Malley raised ticket prices for only the third time since the Dodgers moved to Los Angeles. Top seat in the house is $6 and parking is still $2. That's about a third of what a ticket to a Los Angeles professional basketball game costs, and less than half the parking fee at a pro football game.

Few players are inclined to believe any owner when he talks money. Listen to Garvey, a Florida native so admired that he already has a junior high school in Lindsay, Calif. named for him. "I really don't buy reports that a number of teams are losing money," he says, "because all of a sudden those teams come up with money to sign free agents." Garvey has a point. This winter a handful of players, on average no better than Garvey, signed contracts ranging up to $2 million a year.

In light of all these problems, O'Malley's management style looks especially well-suited to the times. Investing heavily in his scouting efforts and in his farm system doesn't guarantee that O'Malley will win all his salary battles, but it surely positions him, at the very least, to cave in more slowly than his competitors. Management by tantrum in the Steinbrenner style, with its quick payoffs in headlines and ego rewards, may be where baseball is headed. But O'Malley's management by thought is surely where it ought to be going. ■

*Henry Kaufman is Wall Street's favorite sage right now, but we lean toward what you might call the Wally Cox approach.*

# Will the bad apples spoil the entire barrel?

By Ben Weberman

IT'S KIND OF LIKE the old Wally Cox nightclub routine. He buys the *New York Times* every day but instead of reading it puts the paper in a drawer. Makes him feel good when he takes the paper out a couple of weeks later and finds out that some particular bad news is behind him.

We are not joking. FORBES thinks it might be smart to forget the dreadful headlines about banking for a while. The direr prognostications aren't going to come to pass. A few losers have been signaled by the rating agencies.

The news sure sounds bad. Chase Manhattan Corp. had $907 million in "nonperforming" loans on Dec. 31, J.P. Morgan & Co. Inc. $377 million of these loans, BankAmerica Corp. $1.223 billion. "Nonperforming" is a euphemism for bad loans. There haven't been so many of these rotten apples in the barrel since the height of the 1975 realty lending disaster.

Why then aren't we worrying? Chiefly because the banks saw what was coming and provided for it in their reserves for bad loans. Chase had $541 million of reserves set aside on Dec. 31 to cover loan chargeoffs, Morgan had $301 million and BofA had $613 million. So, if Morgan collects even 50 cents on the dollar, its reserve will be more than adequate; in the most unlikely event that the loans turn out to be totally worthless, Morgan would have to take only relatively minor further writeoffs.

"Bank managements have indicated they feel comfortable with current levels of nonperforming assets based on recent historic experiences," says Merrill Lynch vice president and bank analyst James Wooden. "While the level of nonperforming assets grew substantially in the fourth quarter of 1981, hardly any bank has a ratio that approaches the horrible experience of year-end 1975." By contrast to a typical 1.9% of total loans in the nonperforming category at the end of 1981, the ratio was 5.1% in 1975.

While the public and analysts tend to focus on the quality of credit as a major question for banking in the year ahead, the bankers tend to place more emphasis on the risks they have been subjected to by widely

**A few superlatives**

**Performance highlights, drawn from the tables on the following pages.**

| | | | | |
|---|---|---|---|---|
| **Biggest–fastest** BankAmerica (Cal) | $121,158 | **Total bank assets[1]—1981** | **Smallest–slowest** United Jersey Banks (NJ) | $2,814 |
| Republic New York (NY) | 35.6% | **Growth of assets[2]** Industry median: 12.6% | First Pennsylvania (Pa) | –4.8% |
| State Street Boston (Mass) | 73.0% | **Growth of earnings per share[2]** Industry median: 14.5% | Equimark (Pa) | P–D |
| Allied Bancshares (Tex) | 25.2% | **Four-year return on equity** Industry median: 14.5% | First Pennsylvania (Pa) | –8.4% |
| First National Bucp (Colo) | 7.90% | **Net interest margin–1981** Industry median: 4.62% | Bank of Tokyo Trust (NY) | 1.47% |
| JP Morgan (NY) | $35,200 | **Value of managed trust assets[1]** | Marine Midland (NY) | $2,812 |
| Financial Corp of Amer (Cal) | 1.83% | **S&Ls' spread between earning assets and cost of funds** | United Financial (Cal) | –2.72% |

[1]Dollar value in millions. [2]Compounded annual rate 1977/81. P–D: Profit to deficit.

# 1982 ANNUAL BANKING SURVEY

## 100 largest bank holding companies: a statistical profile

| Rank | 1981 size measures ($millions) Total assets | Total deposits | % domestic demand deposits | Total loans | Loan loss res as % of loans | Total invest-ments | Standby letters of credit | Total capital | Long-term debt % capital | Total operating income | Net income[4] | Company and headquarters |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | $121,158 | $94,369 | 13.9% | $71,850 | 0.9% | $6,588 | $4,600 | $5,888 | 30.5% | $15,085 | $445.4 | BankAmerica (Cal) |
| 2 | 119,232 | 72,125 | 10.5 | 77,712 | 0.8 | 6,519 | 14,018 | 12,743 | 66.1 | 18,275 | 555.0 | Citicorp (NY) |
| 3 | 77,839 | 55,300 | 16.4 | 51,001 | 1.1 | 3,821 | 4,400 | 4,513 | 33.6 | 10,651 | 443.9 | Chase Manhattan (NY) |
| 4 | 59,109 | 42,462 | 21.3 | 37,774 | 0.9[5] | 3,011 | 4,148 | 3,122 | 38.6 | 7,393 | 212.5 | Mfrs Hanover (NY) |
| 5 | 53,522 | 36,024 | 18.9 | 28,521 | 1.1[5] | 5,030 | 4,100 | 2,946 | 17.8 | 6,778 | 374.5 | J P Morgan (NY) |
| 6 | 46,972 | 29,594 | 16.3 | 32,054 | 1.0 | 2,169 | 4,304 | 2,573 | 33.5 | 6,287 | 260.3 | Continental Illinois (Ill) |
| 7 | 44,917 | 29,430 | 25.7 | 28,058 | 1.1 | 2,911 | 3,743 | 2,077 | 25.3 | 5,658 | 215.2 | Chemical New York (NY) |
| 8 | 36,982 | 27,407 | 31.4 | 21,056 | 1.4 | 4,342 | 1,106 | 2,276 | 29.8 | 4,319 | 246.5 | First Interstate Bncp (Cal) |
| 9 | 34,213 | 23,345 | 19.8 | 18,715 | 1.2[5] | 1,961 | 3,511 | 1,597 | 16.7 | 4,656 | 192.2 | Bankers Trust NY (NY) |
| 10 | 33,562 | 25,555 | 13.7 | 20,205 | 1.0[5] | 1,528 | 2,604 | 1,710 | 25.6 | 4,326 | 122.1 | First Chicago (Ill) |
| 11 | 32,999 | 23,446 | 23.0 | 21,743 | 1.1[5] | 1,773 | 1,444 | 2,328 | 43.2 | 4,219 | 207.2 | Security Pacific (Cal) |
| 12 | 23,219 | 16,854 | 21.5 | 17,083 | 0.9 | 1,211 | 466 | 2,197 | 53.5 | 3,306 | 125.9 | Wells Fargo (Cal) |
| 13 | 22,494 | 16,495 | 19.7 | 14,124 | 1.1 | 1,096 | 1,194 | 1,256 | 16.9 | 2,654 | 62.2 | Crocker National (Cal) |
| 14 | 18,682 | 14,096 | 18.6 | 10,920 | 1.2 | 1,092 | 839 | 1,216 | 32.4 | 2,484 | 87.3 | Marine Midland Banks (NY) |
| 15 | 18,448 | 11,838 | 24.3 | 9,924 | 1.5 | 1,376 | 581 | 1,439 | 32.1 | 2,246 | 126.0 | Mellon National (Pa) |
| 16 | 18,227 | 14,006 | 27.8 | 9,957 | 1.4[5] | 1,354 | 633 | 906 | 27.5 | 2,390 | 97.1 | Irving Bank (NY) |
| 17 | 17,318 | 12,559 | 27.9 | 9,952 | 1.2 | 2,359 | 846 | 1,248 | 31.6 | 2,070 | 171.7 | Interfirst (Tex) |
| 18 | 16,809 | 11,020 | 20.5 | 9,203 | 1.3 | 1,417 | 569 | 1,239 | 33.8 | 2,948 | 118.3 | First Natl Boston (Mass) |
| 19 | 15,141 | 11,386 | 25.4 | 8,726 | 1.1 | 2,418 | 358 | 1,341 | 34.1 | 1,904 | 125.1 | Northwest Bancorp (Minn) |
| 20 | 14,911 | 11,023 | 25.1 | 7,920 | 1.0 | 2,233 | 415 | 1,212 | 29.5 | 1,790 | 107.1 | First Bank System (Minn) |
| 21 | 14,512 | 10,529 | 34.8 | 7,773 | 1.4 | 1,928 | 274 | 801 | 11.0 | 1,583 | 140.9 | Texas Comm Bancshs (Tex) |
| 22 | 14,441 | 10,086 | 26.9 | 7,866 | 1.2 | 1,984 | 467 | 920 | 21.8 | 1,749 | 123.6 | Republic of Texas (Tex) |
| 23 | 14,291 | 10,859 | 28.2 | 7,445 | 1.3 | 2,093 | 550 | 788 | 9.7 | 1,580 | 133.1 | First City Bancorp (Tex) |
| 24 | 12,145 | 8,656 | 25.1 | 5,666 | 1.3 | 1,599 | 88 | 823 | 15.2 | 1,380 | 69.1 | NBD Bancorp (Mich) |
| 25 | 11,463 | 8,080 | 26.0 | 6,970 | 0.7 | 1,064 | 311 | 554 | 19.8 | 1,495 | 58.0 | Bank of New York (NY) |
| 26 | 10,747 | 8,149 | 22.6 | 7,091 | 1.2 | 539 | 207 | 685 | 17.2 | 1,425 | 78.5 | Seafirst (Wash) |
| 27 | 8,146 | 5,866 | 24.0 | 5,258 | 1.0 | 495 | 650 | 466 | 28.0 | 1,139 | 32.4 | European American[6] (NY) |
| 28 | 7,724 | 5,223 | 23.5 | 3,801 | 1.2 | 1,044 | 164 | 571 | 24.3 | 979 | 59.6 | NCNB (NC) |
| 29 | 7,707 | 5,251 | 8.0 | 2,855 | 1.8 | 984 | 33 | 580 | 39.2 | 1,068 | 73.7 | Republic New York (NY) |
| 30 | 7,488 | 4,574 | 33.6 | 3,953 | 0.9 | 540 | 365 | 361 | 0.3 | 939 | 33.4 | Harris Bankcorp (Ill) |
| 31 | 6,935 | 4,441 | 26.4 | 3,496 | 1.3 | 1,221 | 286 | 480 | 19.0 | 867 | 64.4 | Pittsburgh Natl (Pa) |
| 32 | 6,895 | 5,206 | 39.7 | 4,153 | 1.1 | 819 | 216 | 384 | 14.3 | 891 | 29.4 | Union Bank[6,7] (Cal) |
| 33 | 6,870 | 4,721 | 34.4 | 4,323 | 1.6[5] | 845 | 293 | 475 | 23.8 | 833 | 66.8 | Mercantile Texas (Tex) |
| 34 | 6,453 | 4,970 | 31.1 | 3,133 | 1.4 | 919 | 79 | 561 | 30.9 | 817 | 49.3 | Southeast Banking (Fla) |
| 35 | 6,297 | 4,403 | 40.5 | 3,364 | 1.2 | 648 | 122 | 484 | 27.3 | 779 | 39.6 | Philadelphia Natl (Pa) |
| 36 | 6,266 | 4,488 | 31.6 | 3,313 | 1.2 | 659 | 80 | 413 | 3.7 | 721 | 66.2 | Wachovia (NC) |
| 37 | 6,257 | 2,080 | 39.1 | 4,444 | 2.1 | 328 | 115[6] | 1,244 | 68.0 | 943 | 10.5 | Walter E Heller Intl[6] (Ill) |
| 38 | 6,238 | 4,314 | 28.2 | 3,425 | 1.1 | 523 | 287 | 348 | 8.6 | 849 | 38.1 | Northern Trust (Ill) |
| 39 | 6,229 | 5,109 | 20.9 | 3,987 | 0.7 | 783 | 52 | 453 | 21.7 | 759 | 37.7 | Michigan National (Mich) |
| 40 | 6,154 | 4,786 | 18.5 | 2,738 | 1.1 | 1,161 | 55 | 362 | 7.6 | 696 | 36.0 | DETROITBANK (Mich) |
| 41 | 6,136 | 5,027 | 28.8 | 3,882 | 1.1[5] | 811 | 102 | 380 | 0.0 | 760 | 57.1 | Valley National (Ariz) |
| 42 | 5,969 | 4,726 | 24.0 | 3,558 | 1.1[5] | 605 | 110 | 371 | 4.6 | 768 | 20.5 | Natl Bank of N Amer[6,7] (N Y |
| 43 | 5,819 | 4,318 | 23.5 | 3,490 | 1.1 | 468 | 99 | 395 | 15.8 | 723 | 42.8 | Ranier Bancorp (Wash) |
| 44 | 5,656 | 3,934 | 26.5 | 3,626 | 0.9 | 714 | 65 | 635 | 34.9 | 669 | 65.1 | U S Bancorp (Ore) |
| 45 | 5,530 | 4,079 | 23.6 | 3,004 | 1.2 | 1,105 | 48 | 566 | 0.0 | 643 | 60.1 | AmeriTrust (Ohio) |
| 46 | 5,511 | 4,157 | 25.5 | 2,807 | 1.0 | 980 | 102 | 340 | 7.8 | 619 | 33.1 | BancOhio (Ohio) |
| 47 | 5,504 | 4,453 | 34.9 | 2,833[5] | 1.5[5] | 1,385 | 27 | 474 | 26.2 | 591 | 45.5 | Barnett Banks of Fla (Fla) |
| 48 | 5,388 | 3,438 | 25.2 | 2,305 | 1.3 | 1,076 | 115 | 479 | 20.9 | 620 | 43.7 | National City (Ohio) |
| 49 | 5,335 | 3,537 | 33.7 | 2,679 | 1.1[5] | 781 | 95 | 376 | 25.2 | 620 | 38.8 | Centerre Bancorp (Mo) |
| 50 | 5,297 | 3,261 | 24.1 | 2,566 | 1.5 | 984 | 49 | 329 | 25.9 | 595 | 41.8 | First Union (NC) |

[1]Four-year average is a compounded annual rate: 1977/81. [2]From continuing operations after security gains or losses excluding gain on sale of operations and extraordinary items. [3]Net interest income on a tax-equivalent basis as a percent of average earning assets. [4]From continuing operations before security gains or losses excluding gain on sale of operations and extraordinary items.

| Growth measures[1] | | | | | | | Profitability & cost measures | | | Stock data | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Average assets 4-year average | Average assets 1981 vs 1980 | Equity per share 4-year average | Equity per share 1981 vs 1980 | Earnings per share[2] 4-year average | Earnings per share[2] 1981 vs 1980 | Dividend 4-year average | Return on equity 4-yr avg | Net int margin[3] 1981 | Overhead times NI 1981 | Recent price | 1981 EPS[2] | P/E ratio | Current yield |
| 12.1% | 8.4% | 10.7% | 4.4% | 2.7% | −31.1% | 14.6% | 17.0% | 3.11% | 6.0 | 17 | $ 3.02 | 5.6 | 8.9% |
| 14.1 | 8.2 | 10.0 | 7.7 | 8.9 | 4.5 | 10.2 | 15.0 | 2.60 | 5.5 | 25⅝ | 4.20 | 6.1 | 6.1 |
| 12.1 | 9.8 | 10.0 | 11.5 | 31.8 | 13.9 | 9.0 | 14.6 | 3.25 | 3.9 | 55⅛ | 11.56 | 4.8 | 6.1 |
| 15.6 | 15.9 | 8.6 | 8.1 | 4.7 | −10.2 | 9.1 | 14.0 | 2.88 | 5.2 | 31⅝ | 6.17 | 5.1 | 9.2 |
| 15.7 | 8.8 | 10.8 | 10.1 | 12.2 | 1.3 | 11.6 | 15.6 | 2.43 | 1.8 | 53⅜ | 8.44 | 6.4 | 6.3 |
| 17.5 | 11.2 | 11.0 | 11.4 | 12.5 | 12.0 | 10.7 | 16.2 | 2.46 | 2.5 | 27½ | 6.44 | 4.3 | 7.3 |
| 10.5 | 11.3 | 7.7 | 9.2 | 16.7 | 11.7 | 6.3 | 13.6 | 3.35 | 4.6 | 34⅜ | 8.28 | 4.2 | 8.3 |
| 12.8 | 11.7 | 12.0 | 10.7 | 15.6 | 2.3 | 17.8 | 17.0 | 4.61 | 4.7 | 29½ | 5.83 | 5.1 | 6.9 |
| 10.2 | 7.8 | 9.4 | 10.1 | 29.4 | −4.4 | 5.4 | 15.3 | 2.78 | 3.4 | 30⅞ | 6.89 | 4.5 | 6.6 |
| 9.6 | 5.4 | 5.2 | 5.6 | 0.9 | 88.6 | 5.5 | 9.4 | 2.13 | 4.5 | 19⅛ | 2.98 | 6.4 | 6.3 |
| 15.0 | 15.2 | 11.7 | 12.3 | 15.7 | 7.6 | 14.4 | 17.2 | 3.83 | 4.6 | 32⅝ | 7.05 | 4.6 | 6.7 |
| 14.5 | 9.8 | 9.5 | 6.1 | 7.9 | 0.0 | 15.2 | 15.3 | 3.85 | 6.0 | 22 | 5.33 | 4.1 | 8.7 |
| 13.9 | 13.7 | 11.5 | 15.9 | −2.0 | −40.5 | 9.1 | 14.0 | 4.27 | 10.1 | 28½ | 4.02 | 7.1 | 8.4 |
| 13.8 | 11.4 | 5.6 | 7.9 | 28.0 | 22.2 | 6.1 | 8.6 | 3.56 | 5.3 | 23 | 4.24 | 5.4 | 5.4 |
| 14.8 | 15.5 | 8.1 | 8.2 | 13.2 | 2.6 | 11.0 | 12.6 | 3.22 | 2.6 | 35⅛ | 5.88 | 6.0 | 6.4 |
| 12.8 | 10.8 | 10.8 | 12.4 | 20.8 | 13.6 | 9.4 | 15.4 | 3.56 | 4.1 | 43½ | 11.02 | 3.9 | 7.7 |
| 14.6 | 15.7 | 13.7 | 13.9 | 17.7 | 15.1 | 19.2 | 18.9 | 4.80 | 2.2 | 21⅞ | 3.21 | 6.8 | 5.0 |
| 13.3 | 3.6 | 9.4 | 11.3 | 25.3 | 14.1 | 7.4 | 14.3 | 4.37 | 4.2 | 41⅜ | 9.38 | 4.4 | 7.0 |
| 12.3 | 8.6 | 9.8 | 6.8 | 6.7 | −12.3 | 13.0 | 15.2 | 4.25 | 4.5 | 22½ | 3.85 | 5.8 | 7.3 |
| 14.0 | 12.7 | 10.1 | 7.4 | 7.3 | −14.0 | 11.1 | 15.1 | 3.90 | 3.7 | 31 | 6.38 | 4.9 | 8.5 |
| 18.1 | 22.4 | 16.1 | 18.4 | 23.8 | 29.0 | 13.7 | 20.3 | 4.82 | 1.8 | 34¼ | 4.49 | 7.6 | 3.2 |
| 17.7 | 15.9 | 12.5 | 13.7 | 24.7 | 28.1 | 15.0 | 17.0 | 4.07 | 2.3 | 27½ | 5.01 | 5.5 | 5.4 |
| 16.5 | 21.2 | 13.9 | 15.8 | 22.9 | 28.3 | 18.9 | 18.5 | 4.88 | 2.3 | 26¼ | 4.22 | 6.3 | 4.5 |
| 9.8 | 12.8 | 7.9 | 5.5 | 2.6 | −12.7 | 7.4 | 12.3 | 3.42 | 3.8 | 21¼ | 5.31 | 4.1 | 9.6 |
| 20.2 | 11.5 | 6.6 | 7.2 | 14.5 | 13.5 | 7.1 | 13.4 | 3.56 | 5.1 | 40 | 8.50 | 4.7 | 8.0 |
| 15.8 | 13.6 | 12.0 | 11.7 | 12.7 | 10.0 | 13.1 | 16.2 | 4.94 | 4.3 | 25¾ | 4.93 | 5.2 | 5.6 |
| 14.2 | 11.6 | 13.1 | 7.1 | 36.5 | 8.1 | — | 9.5 | 3.28 | 5.4 | — | — | — | — |
| 12.6 | 11.7 | 11.1 | 11.0 | 18.3 | 4.3 | 12.1 | 15.5 | 4.03 | 3.4 | 13½ | 2.66 | 5.1 | 6.5 |
| 35.6 | 27.7 | 19.0 | 20.8 | 29.5 | 8.7 | 37.7 | 23.3 | 3.84 | 2.0 | 33⅞ | 5.60 | 6.0 | 4.1 |
| 8.1 | 3.5 | 5.5 | 6.0 | −0.6 | −2.9 | 7.4 | 9.2 | 2.92 | 6.0 | 26½ | 4.38 | 6.1 | 8.3 |
| 18.1 | 14.2 | 9.6 | 10.5 | 16.7 | 19.0 | 13.7 | 15.1 | 3.94 | 2.5 | 26⅝ | 4.63 | 5.8 | 6.5 |
| 9.9 | 7.2 | 9.6 | 5.4 | 10.4 | −8.7 | — | 11.8 | 4.69 | 7.8 | — | — | — | — |
| 17.3 | 18.6 | 15.1 | 17.4 | 15.2 | 23.2 | 13.6 | 20.2 | 5.33 | 2.5 | 22⅞ | 3.67 | 6.2 | 4.9 |
| 14.6 | 17.7 | 8.9 | 6.7 | 29.5 | −2.5 | 25.7 | 14.8 | 4.90 | 4.5 | 15 | 3.15 | 4.8 | 6.7 |
| 8.5 | 2.6 | 7.4 | 5.5 | 10.2 | −11.0 | 8.6 | 11.9 | 4.61 | 5.6 | 30 | 6.13 | 4.9 | 10.3 |
| 12.1 | 8.6 | 9.8 | 9.7 | 12.6 | 5.9 | 17.3 | 14.2 | 5.45 | 3.6 | 22¼ | 3.23 | 7.0 | 5.5 |
| 10.0 | 6.2 | 7.0 | 1.8 | −24.5 | −76.5 | 7.9 | 11.3 | 4.95[8] | 3.1[8] | 17 | 0.85 | 20.0 | 7.6 |
| 11.1 | 10.4 | 7.4 | 7.4 | 9.4 | 12.3 | 9.1 | 11.1 | 3.42 | 4.7 | 38¼ | 7.31 | 5.2 | 7.1 |
| 9.9 | 7.5 | 11.4 | 7.8 | 1.6 | −5.4 | 16.9 | 15.1 | 4.85 | 5.6 | 18¼ | 3.51 | 5.2 | 6.6 |
| 11.8 | 10.9 | 8.0 | 4.4 | −0.2 | −10.5 | 13.6 | 12.6 | 3.27 | 4.5 | 22⅝ | 3.75 | 6.0 | 8.8 |
| 14.1 | 11.8 | 13.9 | 12.3 | 17.3 | −7.7 | 16.7 | 18.7 | 4.89 | 4.1 | 17⅜ | 3.24 | 5.4 | 6.7 |
| 14.3 | 10.6 | 9.7 | 21.6 | 3.2 | −16.9 | — | 6.0 | 4.02 | 13.7 | — | — | — | — |
| 12.8 | 7.8 | 10.9 | 10.0 | 9.4 | 8.9 | 15.1 | 15.1 | 5.35 | 4.7 | 21⅜ | 4.52 | 4.7 | 7.0 |
| 11.0 | 12.4 | 13.6 | 12.8 | 14.0 | 11.8 | 13.7 | 18.2 | 5.71 | 2.5 | 19⅜ | 3.60 | 5.4 | 5.2 |
| 5.7 | −1.6 | 6.5 | 6.0 | 5.3 | 11.9 | 11.1 | 11.3 | 5.03 | 2.6 | 27¼ | 6.29 | 4.3 | 10.0 |
| 7.9 | 3.5 | 5.1 | 7.2 | 1.5 | 244.4 | −7.9 | 8.6 | 4.72 | 6.5 | 13¼ | 3.41 | 3.9 | 7.5 |
| 15.8 | 15.9 | 11.7 | 12.8 | 26.4 | 5.4 | 15.9 | 15.9 | 5.85 | 4.9 | 20⅜ | 3.11 | 6.6 | 4.7 |
| 12.2 | 2.0 | 7.8 | 5.1 | −1.5 | −14.4 | 9.0 | 14.1 | 3.86 | 3.1 | 27¼ | 5.11 | 5.3 | 10.1 |
| 12.3 | 16.2 | 8.5 | 8.1 | 10.1 | 7.7 | 8.5 | 13.5 | 4.32 | 3.7 | 20½ | 4.61 | 4.4 | 8.8 |
| 14.8 | 18.1 | 8.4 | 7.8 | 18.7 | −13.2 | 6.6 | 15.4 | 4.62 | 5.3 | 18⅝ | 3.04 | 6.1 | 6.0 |

[5]Includes leases. [6]Company not publicly traded; stock data not available. [7]Bank only, not organized as a holding company. [8]Bank only. [9]Includes results of nonbank operations where applicable. P–D: profit to deficit. D–P: deficit to profit. D–D: deficit to deficit. def: deficit.

# 1982 ANNUAL BANKING SURVEY

## 100 largest bank holding companies: a statistical profile

| Rank | 1981 size measures ($millions) Total assets | Total deposits | % domestic demand deposits | Total loans | Loan loss res as % of loans | Total invest-ments | Standby letters of credit | Total capital | Long-term debt % capital | Total operating income | Net income[4] | Company and headquarters |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 51 | $5,257 | $3,525 | 30.3% | $3,089 | 1.6% | $942 | $ 84 | $886 | 75.5% | $718 | $–5.2 | First Pennsylvania (Pa) |
| 52 | 5,253 | 3,958 | 35.8 | 2,747 | 1.3 | 764 | 112 | 324 | 14.8 | 601 | 43.8 | Southwest Bancshs (Tex) |
| 53 | 5,225 | 4,057 | 24.2 | 3,104 | 1.0 | 916 | 93 | 305 | 16.6 | 627 | 6.3 | Manufacturers Natl (Mich) |
| 54 | 5,138 | 3,507 | 33.4 | 2,236 | 1.2 | 733 | 113 | 371 | 25.8 | 575 | 42.3 | Mercantile Bancorp (Mo) |
| 55 | 4,915 | 3,566 | 41.1 | 2,691 | 1.6[5] | 672 | 21 | 340 | 14.7 | 592 | 45.2 | Citizens & Sthrn Ga (Ga) |
| 56 | 4,782 | 3,266 | 32.0 | 3,017 | 1.3 | 422 | 123 | 383 | 27.3 | 554 | 38.7 | Girard (Pa) |
| 57 | 4,726 | 3,501 | 29.3 | 2,810 | 1.1 | 693 | 124 | 304 | 24.2 | 588 | 28.2 | First Wisconsin (Wisc) |
| 58 | 4,501 | 3,159 | 27.2 | 2,484 | 1.2 | 454 | 62 | 380 | 25.6 | 517 | 38.9 | Maryland National (Md) |
| 59 | 4,443 | 3,418 | 27.2 | 2,129 | 1.5 | 472 | 81 | 272 | 21.8 | 592 | 29.6 | New Eng Merchants (Mass) |
| 60 | 4,441 | 3,600 | 35.3 | 2,659 | 2.0 | 783 | 160 | 324 | 17.0 | 530 | 62.9 | Allied Bancshares (Tex) |
| 61 | 4,223 | 2,720 | 15.8 | 2,301 | 1.6[5] | 610 | 51 | 422 | 51.3 | 508 | 38.2 | Industrial National (RI) |
| 62 | 4,161 | 3,000 | 25.1 | 2,302 | 0.9 | 595 | 50 | 457 | 35.7 | 494 | 33.6 | First Security (Utah) |
| 63 | 4,105 | 3,115 | 37.1 | 2,163 | 1.1 | 756 | 43 | 253 | 16.9 | 457 | 30.6 | First Natl St Bancorp (NJ) |
| 64 | 4,077 | 3,214 | 34.7 | 2,095 | 1.5 | 547 | 37 | 273 | 20.6 | 424 | 33.1 | Midlantic Banks (NJ) |
| 65 | 4,062 | 3,497 | 25.5 | 2,712 | 1.0 | 543 | 103 | 259 | 28.8 | 488 | 16.3 | California First Bk[7] (Cal) |
| 66 | 4,043 | 3,072 | 34.0 | 2,199 | 1.2 | 656 | 64 | 324 | 24.3 | 481 | 40.9 | Texas American Bshs (Tex) |
| 67 | 4,033 | 2,910 | 25.1 | 1,720 | 1.4 | 1,094 | 29 | 267 | 14.3 | 438 | 25.1 | Society (Ohio) |
| 68 | 3,983 | 2,885 | 40.4 | 2,077 | 1.4 | 522 | 42 | 253 | 23.8 | 465 | 24.4 | Shawmut (Mass) |
| 69 | 3,973 | 3,255 | 9.6 | 2,177 | 0.9 | 553 | 103 | 265 | 14.3 | 527 | 9.3 | Bank of Tokyo Trust[6] (NY) |
| 70 | 3,926 | 2,842 | 30.7 | 2,787 | 1.2 | 491 | 152 | 341 | 27.5 | 466 | 38.8 | United Virginia Bshs (Va) |
| 71 | 3,924 | 2,453 | 29.8 | 2,213 | 1.4 | 331 | 84 | 251 | 24.5 | 503 | 11.9 | BanCal Tri-State (Cal) |
| 72 | 3,711 | 3,158 | 32.6 | 1,888 | 1.1 | 770 | 23 | 260 | 15.3 | 423 | 29.1 | Sun Banks of Florida (Fla) |
| 73 | 3,668 | 3,003 | 30.0 | 1,714 | 0.9 | 456 | 82 | 192 | 0.2 | 424 | 24.4 | Riggs National (DC) |
| 74 | 3,667 | 2,627 | 35.0 | 1,947 | 2.0[5] | 407 | 123 | 264 | 29.3 | 423 | 26.4 | Fidelcor (Pa) |
| 75 | 3,645 | 3,117 | 22.5 | 2,103 | 1.5 | 898 | 41 | 255 | 37.4 | 316 | 15.9 | First American Bank (Mich) |
| 76 | 3,639 | 2,874 | 26.8 | 1,962 | 1.4 | 674 | 30 | 290 | 14.4 | 414 | 39.0 | Banc One (Ohio) |
| 77 | 3,576 | 2,452 | 42.7 | 2,015 | 1.3 | 417 | 113 | 219 | 22.8 | 429 | 27.2 | CBT (Conn) |
| 78 | 3,546 | 2,644 | 27.4 | 2,137 | 1.2 | 469 | 47 | 275 | 31.2 | 437 | 20.2 | Lincoln First Banks (NY) |
| 79 | 3,484 | 2,443 | 44.1 | 2,113 | 1.7 | 200 | 46 | 290 | 30.7 | 427 | 36.0 | First Atlanta (Ga) |
| 80 | 3,462 | 2,866 | 30.5 | 1,790 | 1.1 | 800 | 29 | 233 | 7.7 | 404 | 30.2 | BayBanks (Mass) |
| 81 | 3,460 | 2,409 | 50.1 | 1,817 | 2.3 | 488 | 37 | 262 | 16.9 | 424 | 49.3 | Trust Co of Georgia (Ga) |
| 82 | 3,388 | 2,248 | 43.9 | 1,209 | 1.9 | 674 | 56 | 233 | 29.3 | 406 | 23.1 | State Street Boston (Mass) |
| 83 | 3,312 | 2,197 | 34.0 | 1,608 | 1.6 | 599 | 100 | 278 | 14.2 | 393 | 36.8 | Provident National (Pa) |
| 84 | 3,296 | 2,419 | 43.2 | 1,861 | 1.1 | 407 | 79 | 240 | 23.0 | 391 | 28.6 | United Banks of Colo (Colo) |
| 85 | 3,214 | 2,487 | 29.3 | 1,824 | 1.4 | 559 | 63 | 258 | 30.3 | 380 | 29.2 | Virginia Natl Bkshs (Va) |
| 86 | 3,195 | 2,359 | 24.6 | 1,686 | 1.1 | 482 | 31 | 212 | 11.4 | 373 | 27.4 | Huntington Bancshs (Ohio) |
| 87 | 3,148 | 2,336 | 35.3 | 1,470 | 1.6[5] | 574 | 36 | 241 | 18.6 | 377 | 26.9 | First Tenn Natl (Tenn) |
| 88 | 3,039 | 2,427 | 38.5 | 1,586 | 1.1 | 566 | 62 | 233 | 9.6 | 340 | 24.9 | Fidelity Union Bancorp (NJ) |
| 89 | 3,046 | 2,367 | 21.3 | 1,635 | 1.2[5] | 363 | 71 | 194 | 4.0 | 370 | 27.1 | American Security (DC) |
| 90 | 3,023 | 1,948 | 34.3 | 1,546 | 1.5 | 329 | 142 | 245 | 21.1 | 332 | 30.5 | First Oklahoma Bncp (Okla) |
| 91 | 3,014 | 2,107 | 26.4 | 1,426 | 1.4 | 841 | 43 | 232 | 29.5 | 379 | –12.1 | Centran (Ohio) |
| 92 | 2,993 | 2,228 | 22.0 | 1,600 | 1.2 | 623 | 63 | 111 | 34.2 | 349 | –46.9 | Equimark (Pa) |
| 93 | 2,964 | 2,317 | 34.9 | 1,446 | 1.6 | 490 | 70 | 235 | 7.4 | 342 | 30.2 | Commerce Bancshares (Mo) |
| 94 | 2,943 | 1,957 | 27.0 | 1,472 | 1.2 | 337 | 44 | 172 | 1.6 | 344 | 15.6 | American Fletcher (Ind) |
| 95 | 2,927 | 2,248 | 35.8 | 1,590 | 1.6[5] | 564 | 55 | 270 | 19.3 | 347 | 29.6 | AmSouth Bancorp (Ala) |
| 96 | 2,920 | 2,133 | 30.5 | 1,690 | 1.3[5] | 267 | 38 | 206 | 19.8 | 355 | 24.1 | First Maryland Bncp (Md) |
| 97 | 2,919 | 2,028 | 44.9 | 1,688 | 1.5[5] | 325 | 140 | 213 | 16.3 | 355 | 30.0 | First Natl Bancorp (Colo) |
| 98 | 2,829 | 2,030 | 21.7 | 1,796 | 1.1[5] | 304 | 19 | 230 | 29.1 | 355 | 16.4 | Bank of Virginia (Va) |
| 99 | 2,826 | 2,256 | 59.4 | 1,439 | 1.2[5] | 270 | 67 | 143 | 22.4 | 282 | 16.4 | Hartford National (Conn) |
| 100 | 2,814 | 2,120 | 37.4 | 1,520 | 1.3 | 521 | 26 | 184 | 28.3 | 292 | 16.7 | United Jersey Banks (NJ) |
| | | | 27.3 | | 1.2 | | | | 23.4 | | | MEDIANS |

[1]Four-year average is a compounded annual rate: 1977/81. [2]From continuing operations after security gains or losses excluding gain on sale of operations and extraordinary items. [3]Net interest income on a tax-equivalent basis as a percent of average earning assets. [4]From continuing operations before security gains or losses excluding gain on sale of operations and extraordinary items.

| Growth measures[1] | | | | | | | Profitability & cost measures | | | Stock data | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Average assets 4-year average | 1981 vs 1980 | Equity per share 4-year average | 1981 vs 1980 | Earnings per share[2] 4-year average | 1981 vs 1980 | Dividend 4-year average | Return on equity 4-yr avg | Net int margin[3] 1981 | Overhead times NI 1981 | Recent price | 1981 EPS[2] | P/E ratio | Current yield |
| −4.8% | −18.8% | −12.5% | −0.7% | P–D | D–D | −100.0% | −8.4% | 2.86% | — | 2⅛ | $–0.33 | def | 0.0% |
| 16.8 | 23.1 | 10.1 | 13.8 | 19.3% | 36.0% | 11.7 | 15.0 | 5.08 | 2.8 | 23⅛ | 3.97 | 5.8 | 5.2 |
| 12.6 | 13.3 | 5.9 | −1.7 | −28.1 | −76.8 | 10.7 | 11.1 | 3.22 | 22.3 | 13¼ | 1.26 | 10.9 | 8.7 |
| 10.7 | 5.8 | 9.5 | 11.7 | 16.6 | 12.3 | 3.0 | 15.9 | 3.69 | 2.7 | 26⅛ | 7.21 | 3.7 | 10.2 |
| 8.1 | 9.2 | 11.8 | 13.6 | D–P | 19.7 | 2.5 | 12.7 | 5.50 | 4.5 | 8⅛ | 1.46 | 5.6 | 5.9 |
| 2.8 | −0.4 | 8.9 | 9.0 | 16.7 | 9.8 | 7.7 | 15.0 | 4.86 | 3.5 | 27¾ | 6.92 | 4.0 | 8.8 |
| 3.1 | −3.0 | 6.9 | 9.0 | 20.4 | −6.2 | 2.9 | 12.7 | 3.34 | 5.0 | 28⅛ | 6.65 | 4.2 | 7.1 |
| 8.2 | 3.9 | 10.0 | 10.6 | 17.0 | 15.0 | 10.3 | 13.8 | 6.03 | 3.8 | 22¼ | 4.92 | 4.5 | 5.2 |
| 15.0 | 16.9 | 9.9 | 12.0 | 17.8 | 15.2 | 10.7 | 14.8 | 4.44 | 4.6 | 30½ | 6.30 | 4.8 | 7.7 |
| 24.6 | 24.5 | 20.3 | 22.9 | 28.7 | 35.4 | 28.3 | 25.2 | 6.79 | 1.8 | 22⅛ | 3.02 | 7.5 | 3.5 |
| 10.9 | 6.1 | 9.9 | 11.4 | 17.4 | 16.0 | 10.1 | 16.2 | 4.59 | 3.5 | 27⅛ | 5.30 | 5.1 | 7.4 |
| 10.7 | 10.7 | 11.6 | 10.4 | 6.7 | 1.6 | 8.4 | 16.4 | 4.89 | 3.0 | 17 | 3.23 | 5.3 | 11.8 |
| 12.3 | 28.6 | 4.8 | 10.2 | 16.5 | 16.7 | 2.4 | 13.3 | 4.81 | 4.2 | 23⅛ | 5.66 | 4.2 | 9.3 |
| 15.9 | 14.7 | 7.2 | 10.3 | 31.2 | 11.9 | 6.3 | 18.6 | 5.87 | 3.9 | 21¾ | 6.48 | 3.4 | 8.1 |
| 12.7 | 10.6 | 9.7 | 6.3 | 6.3 | −15.5 | 6.0 | 14.1 | 4.27 | 8.3 | 15⅛ | 2.68 | 5.6 | 7.1 |
| 13.7 | 14.1 | 11.8 | 13.4 | 19.3 | 26.3 | 18.0 | 15.8 | 5.49 | 2.8 | 26¼ | 4.52 | 5.8 | 5.0 |
| 12.0 | 12.3 | 7.2 | 8.7 | 1.7 | −9.5 | 12.5 | 12.5 | 3.93 | 4.6 | 15¼ | 3.53 | 4.3 | 10.0 |
| 7.4 | 8.4 | 7.3 | 8.4 | 28.1 | 19.1 | 17.0 | 10.4 | 5.02 | 6.1 | 25¾ | 5.17 | 5.0 | 6.7 |
| 16.6 | 10.6 | 11.2 | 20.9 | −4.6 | −24.6 | — | 7.3 | 1.47 | 3.2 | — | — | — | — |
| 7.7 | 10.2 | 10.7 | 9.9 | 19.3 | 11.0 | 14.1 | 15.9 | 5.51 | 3.8 | 35 | 6.47 | 5.4 | 6.4 |
| 4.7 | 4.6 | 3.6 | 1.9 | 6.1 | −37.6 | 18.4 | 9.1 | 3.69 | 11.9 | 26 | 2.27 | 11.5 | 4.6 |
| 16.4 | 12.6 | 8.5 | 7.5 | 24.3 | −2.4 | 11.0 | 13.5 | 5.30 | 5.2 | 17⅞ | 2.46 | 7.3 | 5.6 |
| 16.7 | 20.4 | 8.7 | 8.4 | 12.7 | 0.0 | 8.1 | 14.2 | 4.32 | 3.4 | 24¾ | 4.07 | 6.1 | 7.3 |
| 0.4 | 10.2 | 3.5 | 14.9 | 15.9 | 114.1 | −25.2 | 4.6 | 4.75 | 4.3 | 25½ | 5.01 | 5.1 | 3.9 |
| 18.6 | 34.2 | 8.6 | 5.7 | 1.5 | −21.3 | 10.7 | 14.1 | 4.31 | 6.4 | 14½ | 3.03 | 4.8 | 9.1 |
| 14.9 | 17.5 | 11.1 | 8.5 | 14.2 | 14.3 | 13.1 | 18.0 | 6.08 | 3.0 | 36¾ | 4.95 | 7.4 | 4.9 |
| 10.1 | 7.8 | 8.4 | 10.5 | 24.0 | 20.2 | 10.1 | 14.4 | 5.75 | 4.7 | 22 | 4.77 | 4.6 | 6.8 |
| 5.1 | 6.9 | 4.9 | 4.8 | 8.4 | 14.4 | 1.6 | 11.4 | 4.76 | 6.7 | 22 | 4.84 | 4.5 | 9.1 |
| 9.1 | 12.4 | 9.0 | 13.5 | 23.7 | 39.6 | 8.7 | 14.4 | 7.53 | 4.3 | 16¼ | 3.14 | 5.2 | 5.4 |
| 9.7 | 11.9 | 9.9 | 10.6 | 23.0 | 13.2 | 10.1 | 14.7 | 6.19 | 4.8 | 52½ | 9.98 | 5.3 | 6.9 |
| 11.9 | 9.8 | 14.3 | 17.8 | 36.5 | 29.2 | 15.0 | 20.3 | 7.60 | 3.3 | 28½ | 4.51 | 6.3 | 4.5 |
| 12.6 | 13.6 | 11.9 | 14.4 | 73.0 | 34.3 | 7.1 | 13.6 | 4.98 | 4.7 | 70½ | 12.53 | 5.6 | 4.3 |
| 12.9 | 16.0 | 9.3 | 13.1 | 39.7 | 34.9 | 9.9 | 15.1 | 4.36 | 2.3 | 51¼ | 9.19 | 5.6 | 5.6 |
| 15.8 | 17.8 | 10.9 | 12.7 | 9.7 | 5.4 | 8.7 | 15.6 | 6.30 | 4.4 | 17¾ | 2.75 | 6.5 | 5.6 |
| 7.4 | 10.7 | 9.7 | 10.5 | 16.2 | 30.7 | 10.9 | 15.9 | 6.41 | 4.7 | 17¼ | 3.83 | 4.5 | 8.1 |
| 13.7 | 14.0 | 10.8 | 11.2 | 15.3 | 15.2 | 9.8 | 15.3 | 5.27 | 3.7 | 22 | 5.24 | 4.2 | 6.7 |
| 9.2 | 8.8 | 9.5 | 8.5 | 16.6 | 5.0 | 19.6 | 14.5 | 5.37 | 4.4 | 14 | 2.73 | 5.1 | 7.7 |
| 17.3 | 15.3 | 5.9 | 3.4 | 9.9 | 3.7 | 3.9 | 12.3 | 5.75 | 4.6 | 22⅞ | 6.53 | 3.5 | 12.2 |
| 18.1 | 12.5 | 9.9 | 9.8 | 10.7 | 9.4 | 7.0 | 15.3 | 4.32 | 2.3 | 36½ | 7.24 | 5.0 | 7.1 |
| 19.0 | 23.0 | 11.7 | 13.4 | 21.8 | −1.9 | 24.5 | 15.5 | 5.04 | 2.4 | 18⅛ | 2.53 | 7.2 | 3.3 |
| 11.2 | −1.9 | 2.1 | −13.7 | P–D | P–D | −5.8 | 7.0 | 2.20 | — | 17 | −5.71 | def | 2.4 |
| 4.5 | 0.9 | −13.8 | −43.1 | P–D | P–D | −4.9 | −6.5 | 2.49 | — | 5 | −11.10 | def | 0.0 |
| 11.2 | 4.6 | 6.7 | 1.8 | −13.6 | −61.4 | 7.9 | 11.1 | 5.91 | 8.9 | 26 | 2.17 | 12.0 | 7.1 |
| 5.9 | 4.2 | 9.1 | 6.1 | 4.4 | −18.8 | 2.9 | 12.9 | 3.32 | 5.3 | 13½ | 3.38 | 4.0 | 9.8 |
| 9.5 | 4.6 | 9.9 | 9.2 | 10.1 | 3.9 | 8.1 | 15.6 | 5.53 | 3.5 | 19⅛ | 4.00 | 4.8 | 8.4 |
| 13.4 | 16.0 | 3.4 | 10.2 | 15.3 | 10.2 | 9.0 | 14.3 | 5.28 | 4.0 | 19½ | 4.55 | 4.3 | 7.2 |
| 9.6 | 8.4 | 10.4 | 10.6 | 19.1 | 27.8 | 10.4 | 15.6 | 7.90 | 4.3 | 26½ | 5.34 | 5.0 | 5.3 |
| 8.6 | 8.8 | 4.7 | 4.0 | 1.1 | 19.6 | 7.2 | 10.6 | 5.22 | 6.3 | 15¾ | 2.68 | 5.7 | 7.5 |
| 5.5 | 2.5 | 10.2 | 10.3 | 46.2 | 16.9 | 14.2 | 13.2 | 5.26 | 6.2 | 18¼ | 5.67 | 3.2 | 9.9 |
| 4.4 | 4.9 | 6.7 | 7.5 | 14.5 | 7.8 | 2.3 | 12.8 | 4.71 | 5.4 | 11¼ | 2.90 | 3.9 | 10.0 |
| **12.6** | **10.9** | **9.7** | **9.9** | **14.5** | **8.7** | **10.1** | **14.5** | **4.62** | **4.3** | | | **5.2** | **6.9** |

[1]Includes leases. [6]Company not publicly traded, stock data not available. [7]Bank only, not organized as a holding company. [8]Bank only. [9]Includes results of nonbank operations where applicable. P–D: profit to deficit. D–P: deficit to profit. D–D: deficit to deficit. def: deficit.

## The 50 largest trust operations

**The 50 giant trust operations below managed over $377 billion in 1981, an increase of barely 1% over 1980. Hindered by a 9% decline in the DJI, 21 of the 50 companies ranked experienced a decline in trust assets managed. Among the top five, J.P. Morgan was down 2.5%, Citicorp down 24.7% and Manufacturers Hanover down 2.1%.**

| 1981 rank | Company | Market value of trust assets* 1981 (millions) | % increase over 1980 | Trust department revenues total (thousands) | % change from 1980 | % of total operating revenues |
|---|---|---|---|---|---|---|
| 1 | J P Morgan | $35,200 | –2.5% | $164,294 | 11.3% | 2.4% |
| 2 | Citicorp | 19,812 | –24.7 | 126,422 | 15.7 | 0.7 |
| 3 | Bankers Trust | 19,487 | 10.2 | 74,708 | 17.9 | 1.6 |
| 4 | Mfrs Hanover | 17,898 | –2.1 | 73,334 | 14.3 | 1.0 |
| 5 | Provident National | 15,918 | 52.5 | 33,047 | 25.3 | 8.4 |
| 6 | Chase Manhattan | 12,528 | 11.9 | 88,619 | 20.3 | 0.8 |
| 7 | Continental Illinois | 12,458 | 31.8 | 53,600 | 19.6 | 0.9 |
| 8 | Mellon National | 12,369 | –2.1 | 31,492 | 11.5 | 1.4 |
| 9 | Harris Bankcorp | 11,576 | 7.4 | 41,878 | 7.8 | 4.5 |
| 10 | Northern Trust | 10,767 | 17.7 | 58,838 | 20.5 | 6.9 |
| 11 | BankAmerica | 10,067 | 8.6 | 68,300 | 12.9 | 0.5 |
| 12 | Chemical New York | 9,737 | 7.1 | 65,072 | 16.3 | 1.2 |
| 13 | Wells Fargo | 9,478 | 3.3 | 38,713 | 17.8 | 1.2 |
| 14 | U S Trust | 9,179 | –3.9 | 61,124 | 16.9 | 23.6 |
| 15 | Wilmington Trust | 8,515* | 0.9 | 14,882 | 20.8 | 7.9 |
| 16 | Crocker National | 8,046 | –3.0 | 36,088 | 15.1 | 1.4 |
| 17 | First Bank System | 8,001 | –3.4 | 36,692 | 10.6 | 2.0 |
| 18 | First Interstate Bnp | 7,455 | –13.9 | 49,152 | 11.2 | 1.1 |
| 19 | First Chicago | 6,822 | –28.9 | 45,834 | 3.7 | 1.1 |
| 20 | Interfirst | 6,700 | 24.1 | 25,400 | 29.6 | 1.2 |
| 21 | First National Boston | 6,573 | –16.0 | 44,874 | 10.6 | 1.5 |
| 22 | Bank of New York | 6,279 | –5.5 | 93,489 | 31.0 | 6.3 |
| 23 | NBD Bancorp | 6,235 | –6.5 | 28,665 | 2.8 | 2.1 |
| 24 | AmeriTrust | 6,193 | 0.2 | 27,929 | 3.4 | 4.3 |
| 25 | Girard | 6,023 | 26.1 | 23,903 | 10.9 | 4.3 |
| 26 | Capital Guardian Tr | 5,549 | –1.7 | NA | NA | NA |
| 27 | Centerre Bancorp | 5,485 | 0.8 | 20,406 | 15.4 | 3.3 |
| 28 | State Street Boston | 5,168 | 49.1 | 38,307 | 33.4 | 9.4 |
| 29 | Northwest Bancorp | 5,072 | –0.2 | 31,939 | 18.7 | 1.7 |
| 30 | Republic of Texas | 4,597 | 9.1 | 25,943 | 28.8 | 1.5 |
| 31 | First City Bancorp | 4,594 | 11.8 | 17,627 | 28.1 | 1.1 |
| 32 | National City Corp | 3,975 | –3.4 | 17,898 | 23.0 | 2.9 |
| 33 | Amer Natl (Chicago) | 3,969 | 1.4 | 11,397 | 7.3 | 3.5 |
| 34 | Irving Bank Corp | 3,944 | 12.9 | 26,307 | 5.8 | 1.1 |
| 35 | Tex Commerce Bshs | 3,650 | 24.2 | 17,388 | 27.8 | 1.1 |
| 36 | Trust Co of the West | 3,506 | 10.8 | NA | NA | NA |
| 37 | Citizens & Sthrn Ga | 3,461 | 6.6 | 10,675 | 9.7 | 1.7 |
| 38 | Fiduciary Trust of NY | 3,445 | 11.4 | 20,048 | 24.1 | 69.5 |
| 39 | DETROITBANK | 3,438 | –1.2 | 18,452 | 19.6 | 2.7 |
| 40 | Boatmen's Bncshs | 3,426 | 3.9 | 7,424 | 18.5 | 3.1 |
| 41 | Security Pacific | 3,309 | –22.0 | 46,596 | 43.6 | 1.1 |
| 42 | Mfrs National Corp | 3,288 | 41.8 | 11,802 | 15.6 | 1.9 |
| 43 | Wachovia Corp | 3,150 | 2.2 | 21,330 | 19.9 | 3.0 |
| 44 | Trust Co of Georgia | 3,118 | 0.8 | 17,856 | 13.0 | 4.2 |
| 45 | Mercantile Bancorp | 3,117 | 0.8 | 13,210 | 14.5 | 2.3 |
| 46 | First Wisconsin Corp | 3,114 | –1.7 | 15,326 | 14.6 | 2.6 |
| 47 | First Pennsylvania | 3,061 | –3.1 | 17,709 | 6.7 | 2.5 |
| 48 | Hartford National | 3,049 | 8.0 | 16,831 | 14.8 | 6.0 |
| 49 | American Fletcher | 2,843 | 0.7 | 10,052 | 30.5 | 2.9 |
| 50 | Marine Midland | 2,812 | –9.5 | 20,987 | 11.1 | 0.8 |

* Includes accounts over which the bank exercises investment discretion. NA: Not available.

fluctuating interest rates. This makes it difficult for banks to retain their traditional spread—that is, the difference between what they pay for money and what they lend the money for. As a consequence, banks are moving away from the prime rate concept and into what is described as "spread" pricing. Banks are no longer arranging fixed-rate loans if they can be avoided.

Chase Manhattan, for example, has only $11.6 billion of its domestic and foreign loans priced on a fixed basis, while $36 billion of credits at the end of 1981 were carrying *variable* rate interest charges. The chief exception to variable rates was loans for residential mortgages and personal installment credit.

Meanwhile, banks are determined to find greater profits in other fee-based activities. Willard C. Butcher, chairman of Chase Manhattan, adds that his bank is responding to pressure on loan spreads emphasizing nonloan income. "We've focused on trade banking, information services, money transfer and specific trust and consumer banking services."

For Chase, fee-based income rose 21% last year, following a 22% gain in 1980. Fees brought in $474 million last year—without the need for much capital or use of assets—and accounted for 69% of Chase profits.

Citicorp's 38% increase in fees to $1.6 billion includes substantial revenues from $14 billion in letters of credit outstanding on Dec. 31. These L/Cs represent the bank's guarantee of a loan made by someone else. For $150 million in fees Citibank provides a credit judgment without tying up its own assets. The risk is great and well rewarded if correct. Or considerably expensive if wrong.

And the banks are plenty worried about competition. James D. Robinson III, chairman of American Express Co., one of the competitors, thinks of it this way: "By the end of the decade, a typical consumer may have a stockbroker in California, a banker in New York, an insurance agent in Maryland and a real estate agent jetting back and forth from Chicago to Boston—all charging their fees on the American Express Card."

Bankers are still barred from any of these activities, but they are lobbying hard to do everything that American Express can do. To some readers this may seem like rearranging the deck chairs while the Titanic slants into the sea—worrying about competition when survival may be at stake. But bankers see it differently: Like Wally Cox, they may be right. ■

# 1982 ANNUAL BANKING SURVEY

*With shrewdies like Saul Steinberg and Victor Posner rooting around, you can bet that there's gold in them ashes.*

# S&Ls— Operation Phoenix

## The 25 largest savings and loan associations

**Only 6 of the 25 largest savings and loan associations in the U.S. turned a profit last year. Treat them as one big unhappy family and the economic distress in evidence is appalling. On their total assets of $125 billion, the 25 lost over $500 million. Even if interest rates—and thus the cost of deposits—should start dropping soon, and sharply, it would take months for even the best-managed S&Ls to show healthy profits again.**

| | 1981 size measures ($millions) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rank | Total assets | Savings accounts | Loans receivable | Investment securities | Advances from FHLB | Total revenues | Net income | Company (location) |
| 1 | $15,049 | $11,064 | $12,533 | $1,042 | $1,858 | $1,564 | $–61.5 | H F Ahmanson (Cal) |
| 2 | 10,646 | 7,849 | 8,679 | 1,609 | 1,343 | 1,174 | –28.2 | Great Western Financial (Cal) |
| 3 | 9,750 | 6,370 | 8,673 | 778 | 1,345 | 1,004 | –55.7 | First Charter Financial (Cal) |
| 4 | 7,754 | 5,889 | 6,369 | 491 | 1,012 | 562 | 4.2 | Glendale Federal S&L[2] (Cal) |
| 5 | 6,945 | 4,661 | 5,930 | 448 | 1,466 | 500 | 11.5 | United Financial of Calif[4] (Cal) |
| 6 | 6,265 | 4,550 | 5,224 | 474 | 784 | 659 | –25.9 | California Federal S&L[2,3] (Cal) |
| 7 | 5,541 | 3,022 | 4,363 | 1,023 | 931 | 624 | –19.2 | Golden West Financial (Cal) |
| 8 | 5,219 | 3,333 | 4,656 | 255 | 1,170 | 568 | –11.3 | Home Federal S&L[2] (Cal) |
| 9 | 5,169 | 3,641 | 4,458 | 368 | 949 | 877 | –37.8 | Imperial Corp of America[5] (Cal) |
| 10 | 4,771 | 2,605 | 4,001 | 573 | 1,330 | 485 | –54.2 | Gibraltar Financial (Cal) |
| 11 | 4,017 | 3,219 | 3,152 | 411 | 369 | 369 | –13.0 | First Federal S&L of Detroit[2,3] (Mich) |
| 12 | 3,757 | 2,748 | 3,400 | 11 | 296 | 388 | 17.4 | Financial Corp of Amer (Cal) |
| 13 | 3,683 | 2,744 | 2,942 | 288 | 378 | 329 | –24.4 | Talman Home Federal S&L[2,3] (Ill) |
| 14 | 3,612 | 2,825 | 2,697 | 557 | 362 | 340 | –26.8 | First Federal S&L Chicago[2,3] (Ill) |
| 15 | 3,475 | 3,109 | 3,036 | 298 | 134 | 347 | –28.9 | Standard Federal S&L[2] (Mich) |
| 16 | 3,366 | 2,509 | 2,679 | 432 | 341 | 357 | 9.1 | Gibraltar Savings Assn (Tex) |
| 17 | 3,348 | 2,540 | 3,006 | 225 | 480 | 356 | 1.4 | AmeriFirst Federal S&L[2] (Fla) |
| 18 | 3,347 | 2,395 | 2,779 | 249 | 417 | 329 | –1.4 | City Federal S&L (NJ) |
| 19 | 3,260 | 2,270 | 2,724 | 328 | 514 | 327 | –25.3 | Allstate S&L Assn[6] (Cal) |
| 20 | 3,092 | 2,142 | 2,657 | 287 | 381 | 316 | –5.0 | Coast Federal S&L[2] (Cal) |
| 21 | 2,907 | 1,408 | 2,672 | 97 | 1,323 | 321 | –56.9 | Fidelity Financial (Cal) |
| 22 | 2,755 | 2,091 | 2,311 | 279 | 411 | 267 | –24.1 | Twin City Federal S&L[2] (Minn) |
| 23 | 2,750 | 1,915 | 2,333 | 141 | 458 | 293 | 5.7 | Great American Federal S&L[2,3] (Cal) |
| 24 | 2,540 | 1,907 | 2,071 | 256 | 269 | 239 | –19.2 | Community Federal S&L[2,3] (Mo) |
| 25 | 2,456 | 2,059 | 2,099 | 231 | 178 | 235 | –32.0 | Financial Federation (Cal) |

[1]Four-year average is a compounded annual rate: 1977/81. [2]Mutual savings and loan association. [3]Based on data from the Federal Home Loan Bank; figures are derived for the period ending June. [4]Subsidiary of National Steel. [5]1981 balance sheet data reflects spinoff of Gibraltar Savings.

**By Richard Phalon**

THE SAVINGS AND LOAN business, even to the most untutored investment eye, is bleak and cheerless as a lunar landscape. An unremitting rate squeeze, billion-dollar deficits and a fast-eroding capital base have all combined to hammer S&L stock prices to some of the lowest levels since the mid-Seventies.

"Unless you see substantial government help coming or a significant drop in short-term rates," says Jonathan Gray, who follows the thrifts for Sanford C. Bernstein & Co., "the S&Ls are an enormous speculation. The biggest bet in history."

Yet, surprisingly, some people are taking that bet, and none of them are exactly wild-eyed plungers. Two of the American General funds, for example, recently picked up about 200,000 shares of the Florida-based Freedom Savings & Loan Association. Two of the Colonial group funds have bought a 100,000-share stake in Great Western Financial, one of the biggest factors in the industry, and the Stein Roe Farnham balanced fund has made a commitment of similar size in Imperial Corp. of America.

What's the game? "It was really a little bit of bottom-fishing with what we regard as the strongest company in the industry," explains John McNeice, president of the Colonial Growth Fund. But sharks are moving in the shallows, too. Saul Steinberg's Reliance Financial Corp. is sitting with about 25% of Imperial Corp. and about 25% of Gibraltar Savings, the Texas-based subsidiary Imperial recently spun off. The acquisitive Victor Posner, who already owns a chunk of Naples Federal in Florida, has signaled a desire to get control of the ailing Biscayne Federal Savings & Loan. A variety of other big fish—D.K. Ludwig and oilman Edward M. Carey, brother of the New York governor—have also been cruising the industry's troubled waters for some time now, snapping at deep discounts in which it's sometimes hard to see any real meat.

Many of the analysts sitting safely on the beach insist there is nothing wrong with the S&Ls that can't be cured by lower interest rates. True enough, but it would take a sharp swerve in the Fed's restrictive money policy indeed—as much as 300 basis points and maybe as long as three to six months—before even the best-managed companies could show very much black ink.

The big fish are clearly playing a much deeper game than a quick turn in the money markets. They are betting on the Federal Home Loan Bank Board's "Phoenix Strategy." What's that? It's a concerted effort to merge basket cases with somewhat healthier competitors. The wave of consolidation sanctioned by the anxious regulators has already propelled several major S&Ls across the no-longer-sacrosanct barriers of state lines into new markets. The most notable survivors of the big shakeout are almost certain to be megabillion thrifts with national

| Growth measures[1] | | | | | | | | Dec. 31, 1981 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Assets | | Savings | | Revenues | | Net income | | Yield on | Cost | |
| 4-year average | 1981 vs 1980 | 4-year average | 1981 vs 1980 | 4-year average | 1981 vs 1980 | 4-year average | 1981 vs 1980 | earning assets | of funds | Spread |
| 12.2% | 14.8% | 10.1% | 9.8% | 16.0% | 14.1% | P-D | P-D | 11.33% | 12.11% | –0.78% |
| 8.7 | 3.8 | 6.4 | 1.0 | 18.6 | 17.7 | P-D | P-D | 11.34 | 11.88 | –0.54 |
| 6.2 | 0.8 | 2.5 | –11.7 | 13.5 | 5.1 | P-D | P-D | 10.51 | 11.91 | –1.40 |
| 25.1 | 54.9 | 22.4 | 57.5 | 24.9 | 12.3 | –36.8% | –86.7% | 10.83 | 12.13 | –1.30 |
| 31.4 | 139.5 | 25.0 | 112.5 | 26.0 | 69.1 | –17.1 | –53.7 | 10.02 | 12.74 | –2.72 |
| 9.9 | 0.0 | 7.7 | –0.7 | 17.7 | 8.2 | P-D | P-D | NA | NA | NA |
| 21.0 | –0.7 | 10.2 | –11.6 | 31.3 | 28.6 | P-D | P-D | 11.13 | 12.09 | –0.96 |
| 16.7 | 17.8 | 14.3 | 12.1 | 25.3 | 24.1 | P-D | P-D | 12.13 | 12.04 | 0.09 |
| 0.0 | –29.6 | –3.2 | –33.6 | 20.9 | 22.9 | P-D | P-D | 11.02 | 11.87 | –0.85 |
| 14.9 | 11.1 | 2.5 | –13.7 | 21.6 | 13.8 | P-D | D-D | 11.04 | 12.08 | –1.04 |
| 14.1 | 15.8 | 11.5 | 11.6 | 21.2 | 19.2 | P-D | P-D | NA | NA | NA |
| 51.0 | 111.2 | 54.8 | 112.9 | 63.2 | 117.4 | 42.1 | 41.9 | 16.46 | 14.63 | 1.83 |
| 20.2 | 50.5 | 17.5 | 44.1 | 27.2 | 51.9 | P-D | P-D | NA | NA | NA |
| 14.3 | 6.4 | 12.7 | 4.9 | 23.2 | 25.7 | P-D | P-D | NA | NA | NA |
| 9.7 | 1.4 | 9.1 | 2.4 | 18.5 | 16.4 | P-D | P-D | 10.05 | 11.40 | –1.35 |
| 16.0 | 13.3 | 13.3 | 12.1 | 26.0 | 22.2 | –15.0 | –64.6 | 12.50 | 13.10 | –0.60 |
| 17.8 | 17.3 | 13.6 | 14.8 | 29.9 | 22.4 | –32.2 | –84.7 | NA | NA | NA |
| 25.1 | 43.2 | 23.0 | 37.2 | 35.0 | 49.5 | P-D | P-D | 11.78 | 11.54 | 0.24 |
| 11.3 | 7.9 | 5.9 | –0.2 | 32.2 | 19.3 | P-D | P-D | 10.81 | 11.99 | –1.18 |
| 11.7 | 6.1 | 7.4 | 2.4 | 19.5 | 12.3 | P-D | P-D | NA | NA | NA |
| 19.9 | 1.9 | 6.1 | –15.0 | 28.3 | 13.7 | P-D | D-D | NA | NA | NA |
| 10.2 | 9.4 | 6.3 | 9.8 | 16.2 | 3.8 | P-D | P-D | 9.85 | 11.16 | –1.31 |
| 18.7 | 19.7 | 15.6 | 7.6 | 28.5 | 21.2 | –16.6 | –55.7 | NA | NA | NA |
| 18.6 | 9.7 | 15.4 | 5.5 | 25.9 | 16.8 | P-D | P-D | 10.54 | 10.43 | 0.11 |
| 5.1 | 4.0 | 3.8 | 2.8 | 9.4 | 3.0 | P-D | P-D | 10.66 | 11.86 | –1.20 |

[1]Subsidiary of Sears, Roebuck. NA: not available. P-D: profit to deficit. D-D: deficit to deficit.

*First Nationwide's Anthony Frank*
***"You have to leapfrog the commercial banks."***

aspirations, merchandising a great many more services than the traditional home mortgage.

Look at "Phoenix" in those terms and you see a golden opportunity to get into nationwide banking at a relatively modest cost. That's certainly the way the acquisitors view the situation. While lobbyists and legislators debate spheres of competition and "level playing fields," impending bankruptcy carries a logic of its own. Since the Federal Savings & Loan Insurance Corp. would much rather put an ailing thrift up for grabs than liquidate it, the leverage is all on the buy side. The two major questions: What kind of new geographic market penetration do I get in the way of sweetener? How much is FSLIC willing to put up to cover the operating losses I will have to swallow?

Look at the pattern set by H.F. Ahmanson's aggressively run Home Savings. During the past few months, in the biggest series of interstate buys yet, it has taken over a cluster of thrifts in Texas, Chicago, Florida and Missouri—all with federal aid.

The pattern first emerged in the case of National Steel. National extracted some handsome guarantees from FSLIC before agreeing to fold New York's $2.6 billion West Side Federal and Florida's $1.3 billion Washington Savings & Loan into its California-based Citizens Savings & Loan (FORBES, *Oct. 26, 1981*). FSLIC appears to have cut back since the National Steel deal on the amount of support it is willing to pump into rescue operations. Most, however, still appear to be of the heads-you-win, tails-you-break-even variety.

At the moment, says Anthony Frank, the chief executive officer of National's S&L, the thrift side of the business is in the black, thanks largely to government aid. He sees a peri-

## "The big one"

Muriel Siebert, New York State's banking superintendent, calls it "the big one." She is talking about the pending merger, probably into Buffalo Savings Bank, of the $3.4 billion New York Bank for Savings.

"The Beehive Bank," as the latter-day marketing whizzes dubbed it, survived the Civil War, the world wars, a couple of panics and the Great Depression, only to fall victim to what has become the most savage money squeeze of modern times.

Impaled on the dilemma of borrowing short and lending long in times that are out of joint, the bank will probably disappear into merger this quarter after an exhaustive search for a suitable partner that has lasted more than five months.

The bidding was somewhat out of joint, too. "It works in reverse," says Siebert. "It doesn't go to the guy who puts up the most, but to the guy who asks for the least—the least help from the Federal Deposit Insurance Corp."

The savings banks have never been regarded as management crucibles. Many of them, in fact, have often been run by political hacks. An exception is Malcolm Wilson, the capable former governor of New York who now heads the Manhattan Savings Bank. In Muriel Siebert's mind, much of the blame for the passing of institutions like the New York Bank for Savings and two others merged before it—Greenwich Savings and Union Dime—has to be pinned squarely on "the legislators and the regulators."

*Banking regulator Muriel Siebert*
***Overseeing "the big one."***

The banks, she says, were bled white by a combination of good politics and bad economics—usury laws that tethered mortgage yields to below market rates, regulations that ruled out variable-rate mortgages until too late.

The rules have been changed, but not soon enough for many. Without an infusion of outright federal help, or a sharp drop in short-term rates, at least four—perhaps five—more of the mutuals will be on the block by the end of the year, says Ms. Siebert.

That's a big chunk of heritage to liquidate. "Maybe we've got too many savings banks," says Muriel Siebert, "but we're going to fight like hell to save as many as we can. When one of them goes, I always want to cry."—R.P.

od of consolidation ahead. The newly acquired groups have all been organized under the Big Top of a new name that Frank regards as more than symbolic—First Nationwide. Besides grappling with obvious difficulties—unifying computer systems, advertising budgets and several layers of management—Frank is giving a lot of thought to a new product line that can be taken national. Automated teller machines, debit and credit cards, private-label insurance, trust services and discount brokerage outlets are all beginning to emerge from the planning mix.

"To be a survivor," says Frank, "you have to be big and you have to leapfrog the commercial banks in providing a lot of financial services to the middle class." Ahmanson is already well along the same marketing path.

The larger problems lie in the delicate work of reshaping a clutch of newly acquired losers into something that works. They are problems that cannot be minimized. "There are a lot of question marks," says Robert Chaut, who follows the S&Ls for A.G. Becker, Inc. Chaut thinks that at least some of the big S&Ls that survive by going interstate under the umbrella of the Phoenix Strategy will themselves ultimately be merged into other big financial conglomerates.

Here's an intriguing thought. Saul Steinberg was vilified and bloodied a decade ago for trying to break into big-time banking through a takeover of New York's giant Chemical Bank. Thanks to Phoenix, he may now be able to achieve his ambition with the aid of—rather than opposition from—the nation's banking regulators. The road back won't be easy. Steinberg's investment in Imperial Corp. is now worth less than half of the estimated $79 million he paid for it. ■

*These days, regulators are arranging lots of marriages in the thrift industry—but few stockholders are throwing rice.*

# The season for shotgun weddings

**By Ben Weberman**

A FEW RISK-ORIENTED professional investors may be excited about the thrift industry, but current regulatory policy gives them little ground for optimism. To save troubled institutions, the Federal Savings & Loan Insurance Corp. is arranging mergers with healthier competitors. Alas for shareholders, however. The forced marriages are coming in a way that wipes out any equity in the failing entity.

That's a hard-nosed approach, not always the way FSLIC handled things. In the Sixties, for example, several Nevada S&Ls needed help because of real estate loans that had gone sour. No shotgun weddings then. The regulators bought subordinate debentures, providing a capital cushion, and over time everyone—shareholders included—came out a winner.

These days, however, two things make such an approach difficult to repeat. The crisis isn't isolated, and FSLIC and state regulators simply can't afford the capital that such investments on a massive scale would require. Then there's the problem of the Reagan Administration's free-market mentality. On one hand, bailouts are ideologically unpalatable. On the other, any rescues that leave stockholders sitting pretty might bring a chorus of political opposition.

Depositors get near-total protection. That's the law, at least for accounts of up to $100,000. Treasury officials believe that the credibility this guarantee provides will enable the thrifts to withstand their current strains. It matters little, they contend, if an institution pays 15% for new deposits while its portfolio earns 10%—so long as deposits come in faster than interest and withdrawals are paid. This maintains a positive cash flow, which enables management to pay bills and fund withdrawals.

The danger is that the current "quiet run" on savings accounts will become a panic that hits the strong as well as the weak. There is curious reverse psychology at work: The more Congress or trade associations or industry leaders talk about how safe deposits are, the more individuals think they had better shift their funds somewhere else. The problem is that savings banks and savings associations with negative spreads are losing more net worth every day despite their positive cash flows. The longer they are in business, the less valuable they become.

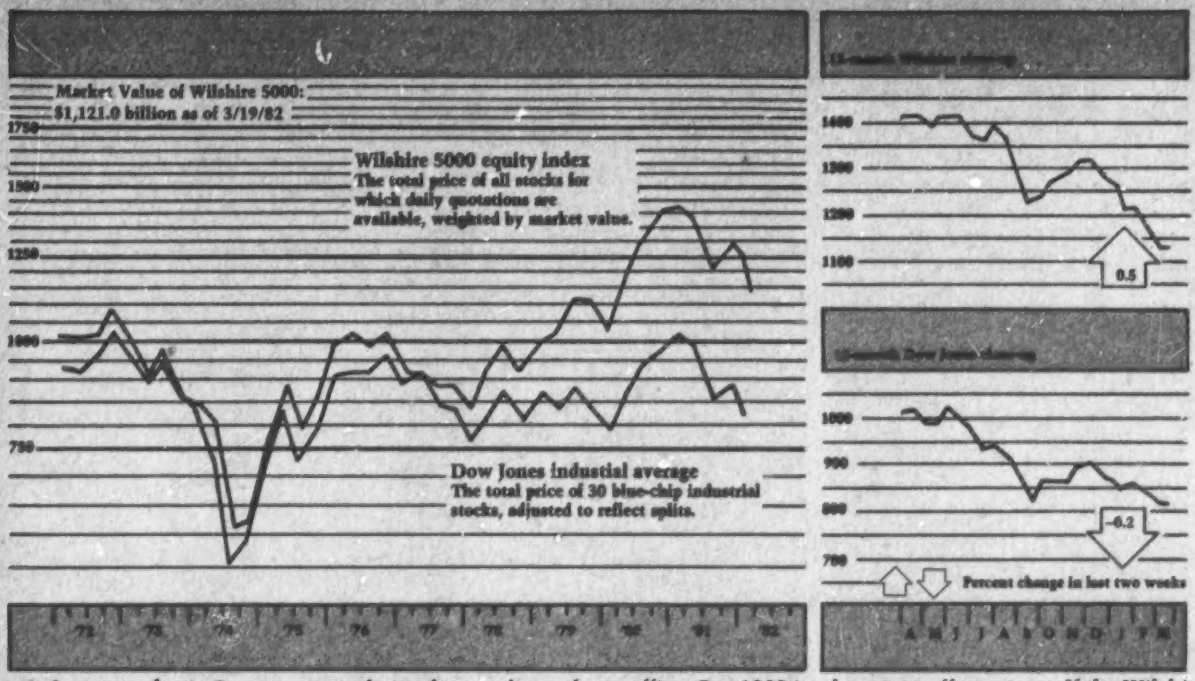
Why would anyone want to acquire such an institution? Besides potential marketing advantages and economies of scale, the regulators can offer several legal or accounting sweeteners to such deals. To begin with, there is often a little cutie called a spread guarantee. Suppose the failing institution's average cost of money is 12% and its yield 10%. The buyer of the distressed thrift gets a check from FSLIC every three months for a sum equal to the 2% it loses on the debt.

A second form of subsidy—used when National Steel acquired three thrifts but less popular today—is a direct capital contribution from FSLIC to the merging organization. Subsequent capital aid has been in the form of a promissory note that helped keep the acquirer's ratio of net worth to liabilities above the 3% minimum. Most failing thrifts have negative net worth, requiring substantial sums. In exchange, profit-sharing regulators sometimes demand certificates that give them a claim on future profits.

Unless regulatory policies change, the only way to get rich investing in a troubled S&L is if the economy turns around fast. The current tough approach to forced marriages wipes out common equity. What's more, most eligible buyers at the moment are entities already involved in the thrift industry. There are only potential opportunities for diversification-minded conglomerates or quick-profit-oriented liquidators.

Keep watching. The government is struggling to clean up a multibillion-dollar mess, and odds are there will eventually be a chance for someone to make money along the way. ■

# The Forbes Wilshire 5000 Review




**Only a reprieve.** Recent strength in the stock market shows all the hallmarks of a typical bear rally. The biggest advances were shown by the depressed energy stocks, a group long overdue for a technical rebound. Over the last two weeks the Wilshire index gained 0.5%, the NYSE 0.8% and the Amex 1.2%. Yet the market was highly selective: The NASDAQ index was off by 1.3% and the Dow declined 0.2%. So, the rally was not really broad-based. Even with these gains, the relatively energy-heavy Amex is still off by 28% over the latest 52 weeks.

Should the present rally drive the Wilshire past its late fall 1981 mark of 1300, a bull market could be in the offing. But 1300 is a long way off *(see chart)*. If the Wilshire rally falls well short of this point, last month's market bottom is likely to be tested and could easily be violated. A bullish sign would be a positive change in the pattern of our investor yardsticks. Over the last year, low-volatility and high-yield—*i.e.*, defensive—stocks are the only groups to be in the black. Investors are putting their money in the safest-looking securities. A bull market will be under way only when investors feel comfortable enough to plunge back into growth areas of the market. No sign of that yet. The late March rally was led by low-P/E, high-yield, low-growth stocks—the widow-and-orphan type.

## Close-up On The Equity Markets

**Performance of five leading indexes**

| Percent change | Wilshire 5000 | Dow Jones industrials | NYSE Composite | AMEX Market Value Index | NASDAQ Composite |
|---|---|---|---|---|---|
| in last 4 weeks | –3.2 | –2.3 | –2.8 | –5.9 | –4.9 |
| in last 52 weeks | –18.3 | –18.8 | –17.5 | –28.0 | –16.7 |

**Stock performance based on five key investor yardsticks**

| Percent change | Volatility* | | P/E multiple | | Dividend yield | | Growth profile† | | Share price | |
|---|---|---|---|---|---|---|---|---|---|---|
| | high | low | over 25 | under 5 | over 7.5% | none | high | low | over $40 | under $6 |
| in last 4 weeks | –5.4 | 0.6 | –6.5 | –3.5 | 0.8 | –3.4 | –5.3 | 0.6 | –4.4 | –6.1 |
| in last 52 weeks | –16.8 | 6.4 | –26.9 | –7.6 | 2.2 | –6.8 | –15.0 | –3.1 | –17.0 | –6.4 |

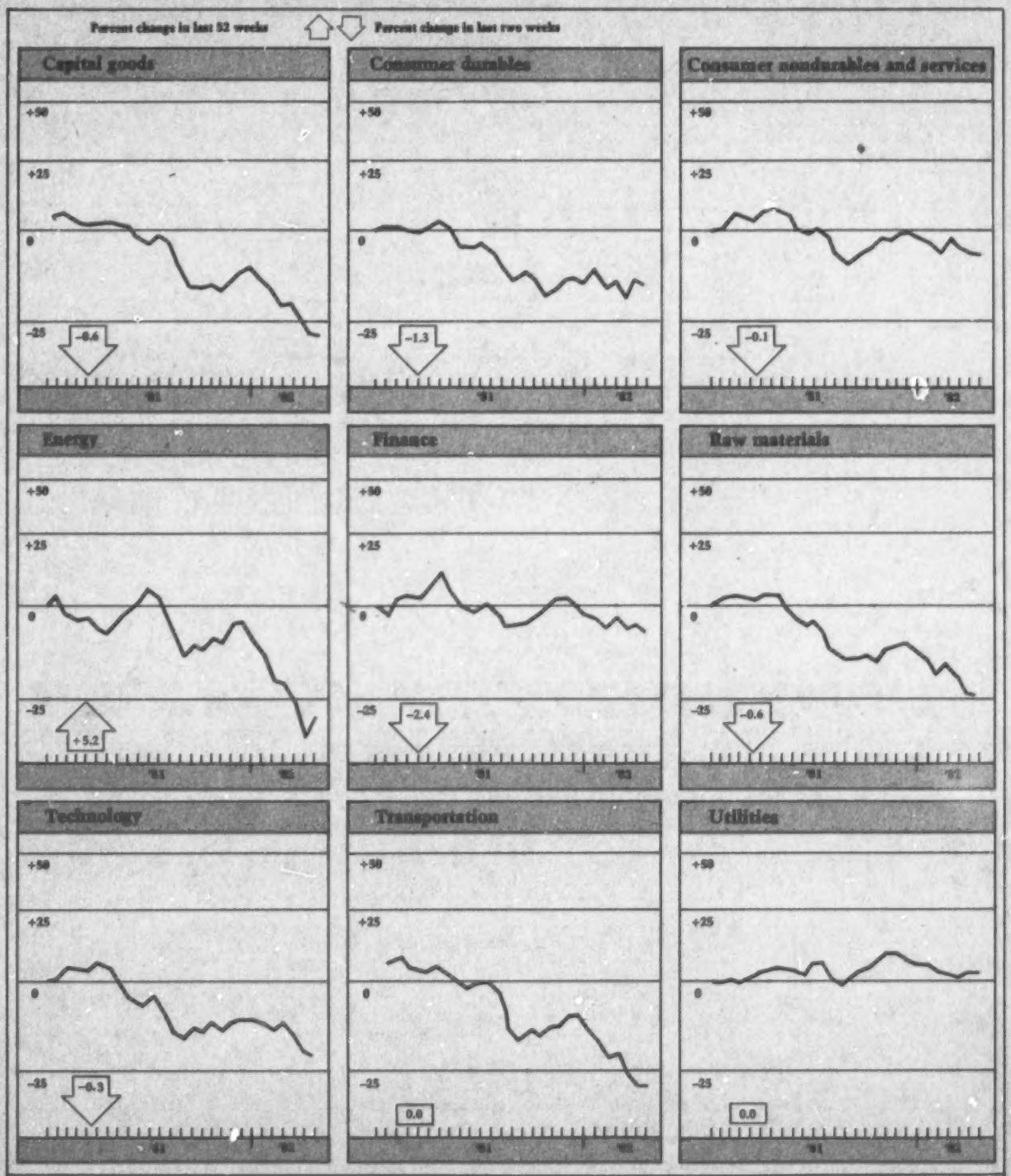
*A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.
†A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 3/19/82. Prepared by Wilshire Associates, Santa Monica, Calif.

**A lopsided rally.** During the last two weeks energy stocks advanced 5.2%, but the oils have rallied before, only to fall back even lower. This time, however, the uptick in energy stocks is not being fueled by merger fever and could be the start of a real turn. The pattern that emerges over the next few weeks will be critical.

Today, energy stocks are 32% lower than they were a year ago. Capital goods and transportation stocks are also off by 30% or more, whereas consumer nondurables are behind only 6.5%. The only group that has made any progress over the last 52 weeks is the utility sector, up 5%.

Except for the indication of a possible bottom in energy stocks, the signs still point to a bear market. Utility and transportation issues only broke even during the two-week period, while the finance sector lost 2.4%. All other sectors lost a bit of ground. The path of least resistance: still down.




Note: All data for periods ending 3/19/82. Prepared by Wilshire Associates, Santa Monica, Calif.

*With oil prices faltering, the once premium-priced Lone Star stocks, especially banks, are suffering guilt by association. Texans consider this a great injustice.*

# They're selling Texas short

**By William Baldwin**

BANK STOCKS, so the wisdom runs on Wall Street, are a play on the economy of the communities they serve. That's why the Texas banks used to trade at such high multiples. Texas Commerce and First City were proxies for the energy industry and Sunbelt growth rolled into one. Lately, however, earnings are up, but prices are down sharply. As a group the Lone Star leaders have slumped 30% since November—far more than other bank stocks.

Consider Allied Bancshares, a nine-year-old holding company in Houston that lends aggressively to small and medium-size firms—31% of them energy-related. This unshaken optimist is putting up a 71-story tower in the shape of a dollar sign. As fast as the steel has gone up the stock has gone down, by 34% since the end of November. It hardly mattered that in the meantime Allied reported 1981 earnings up 35%, to $3.02 a share.

Why the selloff? It could be gloating as well as fear. For as long as OPEC impoverished the U.S. it enriched the Republic of Texas. The Yankees have decided it's time for profit-taking. "How much does it cost the Arabs to lift a barrel of oil?" asks Joseph Wikler of the Rothschild Co. in Baltimore. "I think there's going to be a margin call on the whole state of Texas."

Suppose oil drops to $26 a barrel and stays there for a while. Does that spell disaster for the Texas economy? Figures provided by economist Carol Bennett of Texas Commerce Bank are instructive. U.S. drilling activity, as measured by Texas mining employment (which would include a Texan designing well-service tools for a driller in California), grew 1.4% a year in the 1950s, fell 1.7% in the 1960s and grew 8.6% in the 1970s. Meanwhile, Texas bank deposits, adjusted for inflation, grew at a 2.4% annual rate in the 1950s, continued to grow at a 4.8% rate in the 1960s and grew 5.9% a year in the 1970s. So much for linkage to the energy industry. Contrary to northerners' impressions, Texas is not an expanse of sagebrush dotted with oil pumps. It also has agriculture, aerospace and electronics. During the 1960s oil depression, construction and manufacturing employment increased at a brisk pace, respectively 3.4% and 4.2% a year.

Bennett, moreover, says drilling will increase this year, with an average U.S. rig count of 4,300 *vs.* 3,969 for 1981. True, that's a sharp decline in the rate of growth—the 1980 number was 7,910—but it's still growth. Texas oil-service analysts say that a lot of the drilling is aimed at natural gas, which is selling for even higher prices regardless of OPEC.

Are energy loans a threat? Energy companies account for a fourth of the loan portfolio at a typical Texas bank, and there's no question they are responsible for the heady growth in loan demand over the past two years. But that's not the same as saying the loans are going to be written off as worthless. "The Texas banks have been lending in the energy sector for a long time," says Richard Fredericks of Montgomery Securities in San Francisco. He says the Johnny-come-lately energy lenders from the north will wind up with the problem loans.

In any event the chart at left shows that Texas banks are having a lot less trouble with their oil rigs than the money-center banks are having with their farm machinery makers and Polands. The numbers also suggest, says Fredericks, that Texas banks are a better buy than most others, notwithstanding a premium in the price-to-earnings multiple. Their growth rates are half again as great as that of U.S. banks collectively.

If drilling keeps up, of course, there is an attractive assortment of other Texas stocks being sold far too cheaply, or so say analysts in Texas. Jerry Falkner of Underwood Neuhaus in Houston is frustrated because his pet stock, Quanex, is down 60% from its high a year ago, for no good reason, he claims. Wall Street has decreed this Houston manufacturer of tubing guilty by association with the oilfields, even though it makes only 46% of its sales there. Its 10-year earnings-per-share growth rate is 23.7%. At a recent 11¼ it is selling at 4.3 times estimated 1982 earnings.

## Lone Star losers

**Texas banks run ahead of the pack in profit growth, and their stocks have traditionally sported a premium to match. The dip in oil prices has taken them down a peg—reflecting, perhaps, a misunderstanding of the Texas economy.**

| Bank | Assets (billions) | Recent price | Change since Nov. 30 | Estimated 1982 EPS | P/E ratio | 10-year EPS growth rate | Non-performing assets |
|---|---|---|---|---|---|---|---|
| Allied Bancshrs | $ 4.4 | 22⅝ | –34% | $3.65 | 6.2 | 21.6% | 0.44% |
| First City | 14.3 | 26⅝ | –31 | 5.00 | 5.4 | 15.8 | 0.55 |
| InterFirst | 17.3 | 21⅞ | –23 | 4.05 | 5.4 | 16.3 | 0.68 |
| Mercantile Texas | 6.9 | 22⅞ | –35 | 4.35 | 5.3 | 14.7 | 0.64 |
| Republic Texas | 14.4 | 27½ | –38 | 5.65 | 4.9 | 14.2 | 0.45 |
| Texas Commerce | 14.5 | 34¼ | –21 | 5.35 | 6.4 | 18.3 | 0.66 |
| National average | — | — | –13% | — | 4.5 | 10.6% | 1.20% |

*Sources: Keefe, Bruyette & Woods; Montgomery Securities.*

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## The Streetwalker

Then there's Keystone International, a Houston valvemaker suffering a case of oil contamination. It's down 41% from its high last year, even though it sends less than 10% of its products to the oil patch. CRS Group, a Houston architectural firm that does a lot of business in Saudi Arabia, was recently trading at 14, off 43% from its high and 5 times earnings for the last 12 months. Its earnings-per-share growth rate over the past decade is 16.7%. No doubt it will continue to get its share of contracts in Saudi Arabia, since Ghaith Pharaon owns 20% of the stock.

What we are seeing may be a classic case of overreaction. Texas banks may deserve to trade at a premium relative to competition elsewhere, and it may have narrowed too dramatically in the current selloff. Oil service companies shouldn't have been trading at 14 times earnings a year ago, and they shouldn't be at 6 times today. Changes in the world oil economy don't justify swings like that.

As Carol Bennett, the Texas Commerce economist, notes astutely: "The market in oil is not as irrational as the market in stocks." Maybe, just maybe, some buys in Texas are upon us.

## Goodyear: Cheap oil and rubber do mix—very well

Remember when oil prices were up and your broker was telephoning every other day with a can't-miss energy play? These days, of course, the news is cheap oil. So oil plays don't sell, but that hasn't quenched the brokers' merchandising zeal. Don't be surprised if someone tries to sell you shares in a tire company.

The pitch goes like this: With more gallons for the dollar, motorists will surely drive more miles—and thus need more replacement tires. Then there's the supply-side argument. Petrochemical derivatives, conveniently, comprise 85% of the rubber company raw material costs. Get it? Tire stocks as a play on lower oil prices.

That spiel, with variations, has helped Goodyear Tire & Rubber perform impressively in the midst of a dismal bear market. Last month, on heavy trading volume, its shares hit 21½—up from 18¾ in February and higher than they have been since 1977. Takeover possibilities? Hardly. Goodyear just happens to be a leading beneficiary of the cheap-oil pitch by brokers and analysts.

Companies such as Firestone, General Tire, B.F. Goodrich and Uniroyal are largely in the same boat—but Goodyear, which gets over 80% of its profits from tires, is what the pros call a pure play. Except for Firestone, the company's major competitors get less than 50% of sales and an even smaller percentage of profits from tires and have been steadily losing market share. That leaves Goodyear as the largest domestic tiremaker by far.

At the moment, its economists predict that this year's U.S. market will total 130 million auto tires. That's a 3% gain from 1981 and a rare optimistic forecast in an industry in which production declines have been common since 1973. Goodyear planning chief Rod Loughridge also expects that the bulge in imported car sales over the last few years will soon become a bulge in the demand for replacement tires.

Analysts are now estimating Goodyear's earnings per share at a respectable $4 in 1982, up 19% from 1981. That means the company's shares are now trading at a multiple of 6. If the auto industry were to increase output to, say, 8.5 million vehicles for the 1983 model year (compared with 6.5 million currently), Goodyear earnings could reach $5.50 or $6. But that's an optimistic prediction, of course. On the downside, Goodyear is a major supplier to Chrysler.

Another plus for Goodyear is the fact that the industry's longtime overcapacity may be dwindling. In the past this led to regular—and costly—price wars. But now tire plant closings are common. General Tire recently announced it would shut facilities in Akron, and analyst Donald De Scenza from Donaldson, Lufkin & Jenrette estimates total capacity of 15% less now than it was two years ago. "Supply and demand are in basic alignment," says Richard Haydon, an analyst with Goldman, Sachs. "With lower oil prices, you might say the tire business is in a minigrowth phase."

The qualifier "mini" is important. Capacity utilization in the tire industry is now below 85%. Historically, 95% or better has been necessary for companies to earn decent rates of return. "We are on a cyclical rebound," says one analyst. "But I don't think Valhalla is here."

The folks in Akron would probably agree. Except that Valhalla, like everything else, is relative. Sure, Goodyear shares still trade 37% below book value and roughly 30% cheaper than they did a decade ago. But thanks to falling oil prices, for the first time in years Wall Street has a reason to buy instead of sell.—**Jon Schriber**

## Beverage management: risky—but straight 7UP

Philip Morris, the company that created the Marlboro man and made Miller Lite a runaway success, paid $520 million to buy the Seven-Up Co. almost four years ago. Since then PM has lain low, but now its long-anticipated soft-drink push is under way. Seven-Up is test marketing a 99% caffeine-free cola, reportedly named "Like," that it could launch nationwide early next year. Analysts project an advertising and promotion budget of perhaps $35 million.

This could have major implications not only for PM but also for the likes of Coke and Pepsi. The Seven-Up sales pitch knocks competing colas and aims for product differentiation with a distinct, good-for-you message. Coke and Pepsi may pressure their

*We know: 1982 has been a terrible year on Wall Street. But not for everybody. Here are two lists of winners.*

# Bear market beauties

By Steve Kichen and Paul Bornstein

FACE IT, the first quarter of 1982 has been terrible for most investors. The Wilshire index has slipped 13%, and just about every stock has been battered. The NYSE is off 12%. The over-the-counter market is down 14%, and the Amex, with its relatively larger energy exposure, has tumbled nearly 24%.

Still, there is some light in the forest. The airlines, for example, are flying out in front of all S&P's groups. Why? The cheap energy play: Cutbacks and belt-tightening in the oil industry could be the salvation of many troubled air carriers.

Lower fuel costs are also a boon to electric utilities. With the appeal of higher payouts and more favorable tax treatment of dividends, it's not hard to see why a large number of power-company stocks have hit 52-week highs recently. Retail stocks have also shown surprising strength—thanks, in part, to a fourth quarter stronger than analysts expected.

The accompanying tables highlight the year's meager good news on the NYSE. The 31 stocks on page 214 each hit new 52-week highs and are still trading within 10% of those stellar levels. The 17 stocks in the table below, meanwhile, have each posted price gains of 20% or more in 1982. We didn't include utilities, which would have dominated them, and we have tried to exclude securities that shot up because of merger or buyout activity.

Many of the new highs appear to be defensive plays in a recessionary economy. For example, one-fourth of the issues are food processors. "The worse the economy gets the better this industry looks," says William Leech, an analyst at Donaldson, Lufkin & Jenrette. Still, he cautions that commodity prices may soon be heading back up and that these stocks may have already had their best performance.

The appeal of food processing stocks is that well-run companies in this industry can show growth even when the economy is slumping. After all, people always eat. As a tradeoff, food companies rarely show explosive growth in a booming economy. The earnings estimates provided by the Icarus Service of Zacks Investment Research, show that many of the food companies are expected to make modest earnings gains of between 7% and 15% in 1982.

Major changes in earnings patterns could also come from firms that have suffered the most over the last several quarters. From the table below, it appears that risk-takers are getting in at, or near, what they hope will be the bottom of some impressive turnarounds. Of the 17 companies in this table, only 9 managed to make any profits at all over the last 12 months. But of

## Trend buckers of 1982—gains

**Fighting the market all the way, these 17 companies have managed gains of 20% or more so far this year. Many seem to have risen on the expectation of a significant earnings turnaround.**

| Company/principal business | Recent price | % change in price 1982 | 52-week price range | Earnings per share 1980 | 1981 | 1982 (est) | Latest 12-month P/E ratio | Yield |
|---|---|---|---|---|---|---|---|---|
| Coleco/toys | 10⅝ | 49.1% | 13½– 6⅛ | $ 1.83 | $ 1.01 | $ 1.84 | 11 | — |
| Winnebago/rec vehicles | 5⅛ | 36.7 | 6¼– 2¾ | d 0.54 | 0.19 | 0.50 | 28 | — |
| American Motors/auto | 3⅜ | 35.0 | 4⅞– 2⅜ | d 6.10 | d 2.44 | d 0.82 | NM | — |
| Cadence Inds/publishing | 10 | 33.3 | 13⅜– 6⅛ | 1.28 | d 1.94 | NA | NM | — |
| Talley Inds/precision inst | 4⅞ | 30.0 | 6½– 3⅜ | d 1.65 | d 1.32 | NA | NM | — |
| Mattel/recreation | 14⅛ | 29.9 | 16⅜– 6 | 0.12 | 1.68 | 2.16 | 8 | 2.1% |
| Vendo/vending machines | 3 | 26.3 | 3⅞– 1¾ | d 5.89 | d 4.02 | NA | NM | — |
| AVX/electronics | 17⅛ | 25.7 | 36⅜–11½ | 1.76 | d 0.60 | 1.20 | NM | 1.9 |
| Trans World/airline | 19⅛ | 25.4 | 28⅜–13¾ | d 0.05 | 1.27 | 3.70 | 15 | — |
| ConAgra/food processing | 21½ | 23.7 | 22⅜–16 | 1.55 | 2.21 | 2.67 | 9 | 4.0 |
| Chrysler/automotive | 4⅜ | 23.3 | 7⅜– 3⅛ | d 26.00 | d 7.25 | d 2.09 | NM | — |
| American Airlines/airline | 13⅜ | 23.0 | 21⅜– 9 | d 4.78 | d 1.29 | 2.04 | NM | — |
| Equifax/industrial svs | 28⅛ | 22.3 | 31⅛–20¾ | 3.16 | 4.70 | 4.75 | 6 | 9.2 |
| Southwest Airlines/airline | 34 | 22.0 | 48⅜–23½ | 3.25 | 3.38 | 4.21 | 10 | 0.9 |
| Mary Kay Cosmetics/cosm | 20¼ | 21.8 | 37⅜–15¾ | 1.05 | 1.65 | 2.10 | 12 | 1.0 |
| House of Fabrics/retail | 12⅞ | 21.2 | 13⅛– 6⅛ | 0.46 | 0.70 | NA | 10 | 2.2 |
| GenRad/electronics | 16⅝ | 20.2 | 31 –11⅞ | 1.39 | d 0.23 | 0.82 | NM | 0.5 |

NA: Not available. NM: Not meaningful. d: deficit.

*Sources: Wilshire Associates; Zacks Investment Research's Icarus Service; FORBES*

## Winners

**These ten industry groups are the best performers so far this year.**

| Industry | % change |
|---|---|
| Airlines | 14.2% |
| Retail | 9.2 |
| Electric utilities | 8.0 |
| Automotive | 4.7 |
| Breweries | 4.3 |
| Electronics | 4.0 |
| Investments (bond funds) | 4.0 |
| Multiline insurance | 3.7 |
| Auto parts (replacement) | 2.5 |
| NYC banks | 2.0 |

*Source: Standard & Poor's.*

# Statistical Spotlight

## Losers

**These ten industry groups are the worst performers so far this year.**

| Industry | % change |
|---|---|
| Offshore drilling | –39.0% |
| Crude oil producing | –31.9 |
| Miscellaneous metals | –31.5 |
| Copper | –30.6 |
| S&Ls (holding) | –29.7 |
| Integrated domestic oils | –29.6 |
| Gold mining | –29.4 |
| Canadian oil and gas explor | –27.7 |
| Bituminous coal | –27.0 |
| Oilfield equipment & svs | –26.9 |

*Source: Standard & Poor's.*

the 13 firms for which Icarus estimates are available for 1982, 85% are expected to be in the black with an overall increase in earnings of 85%.

Even with their recent gains, many of these issues are still priced below their 52-week highs and well below their hisforic peaks. For example, AVX is down 62% from its 1980 high of 45. Remember, though, that analysts are generally less optimistic now than they were one or two quarters ago, even for these potential rebound candidates. For instance, the mean earnings estimate for Southwest Airlines has decreased almost 11% from the $4.72 expected 26 weeks ago.

Not all the big gainers are rebound plays, however. The top performer on our list is Coleco, which jumped 49%, thanks to the highly competitive video-game craze. The firm recently introduced a home version of the extremely popular Pac-Man game and claims to have 1 million units on order at $40 a shot. This translates into a $40 million revenue figure. "It's a speculative stock due to the environment it's in," says Richard Simon, an analyst at Goldman, Sachs.

Sadly, however, Coleco is an exception. Most people who have bought equities since January are probably sitting with acquisitions that are well under water, and for them the stocks in these tables are only a reminder of what might have been. On the other hand, these companies did go up when the rest of the market collapsed—and that is evidence of some solid buying support. One old adage has it that after a bear market ends some of the best performers are often stocks that managed to buck the earlier downtrend. With that in mind, these 1982 stars may shine even brighter if the bulls come back to town. ■

## Trend buckers of 1982—highs

**Even though the list of new lows often seemed endless, these 31 companies managed to hit 52-week highs in 1982. Note that all of these firms are profitable and paying dividends.**

| Company/principal business | Recent price | 52-week price range | Earnings per share 1980 | 1981 | 1982 est | Latest 12-month P/E ratio | Yield |
|---|---|---|---|---|---|---|---|
| Aetna Life & Cas/insurance | 44 | 47⅞–32¾ | $ 6.30 | $ 6.11 | $ 6.92 | 7 | 5.7% |
| Alexander & Alexander/insurance | 28⅝ | 30¼–25½ | 2.98 | 2.98 | NA | 10 | 6.8 |
| Amer Bldg Maint/industrial svs | 20 | 22¼–15⅛ | 2.46 | 2.81 | 3.25 | 7 | 5.0 |
| Amer Stores/grocery stores | 34 | 34⅛–21⅛ | 4.11 | 5.42 | 5.45 | 6 | 2.9 |
| Ames Dept Stores/retail | 21 | 24⅛–16⅛ | 2.11 | 2.32 | NA | 8 | 1.9 |
| Anderson, Clayton/food processing | 27⅝ | 30¾–20½ | 4.00 | 4.09 | 5.12 | 5 | 4.8 |
| Anheuser-Busch/brewery | 44½ | 46¼–33¾ | 3.80 | 4.79 | 5.41 | 9 | 2.9 |
| Borden/food processing | 31¼ | 32½–26¼ | 4.77 | 5.45 | 5.86 | 6 | 6.6 |
| Chase Manhattan/banking | 54⅝ | 60⅜–43⅜ | 10.15 | 11.56 | 13.27 | 5 | 6.2 |
| Colgate-Palmolive/household prods | 17 | 19½–13⅞ | 2.10 | 2.55 | 2.76 | 7 | 7.1 |
| CPC Intl/food processing | 35¼ | 38¾–27¾ | 4.14 | 4.57 | 5.28 | 8 | 5.5 |
| Denny's/restaurants | 30¾ | 32¾–22⅛ | 1.95 | 3.04 | 3.52 | 9 | 3.1 |
| RR Donnelley & Sons/publishing | 43½ | 45 –34⅝ | 3.70 | 4.20 | 4.77 | 10 | 3.3 |
| Equifax/industrial svs | 28⅛ | 31⅝–20¾ | 3.16 | 4.70 | 4.75 | 6 | 9.2 |
| Goodyear/tire & rubber | 20¾ | 21½–15⅞ | 2.85 | 3.36 | 3.66 | 6 | 6.8 |
| Hazeltine/electronics | 27 | 30⅜–18⅜ | 2.37 | 0.91 | NA | 30 | 3.0 |
| House of Fabrics/retail | 12⅞ | 13⅛– 6⅛ | 0.46 | 0.70 | NA | 15 | 2.2 |
| Industrial Natl/banking | 27 | 28¼–20¾ | 4.57 | 5.30 | 6.31 | 5 | 7.4 |
| Intl Multifoods/food processing | 22¾ | 24 –17½ | 2.31 | 3.49 | 4.37 | 6 | 6.5 |
| Jonathan Logan/apparel | 12½ | 13⅛– 7⅛ | 1.28 | 0.97 | 3.27 | 13 | 4.8 |
| Kellogg/food processing | 23 | 25⅛–17⅜ | 2.41 | 2.69 | 2.99 | 9 | 6.5 |
| Kroger/grocery stores | 28¾ | 28⅞–19¼ | 3.41 | 4.39 | 4.68 | 7 | 6.0 |
| Lane Bryant/retail | 17⅞ | 19⅝–14¼ | 2.25 | 2.44 | 3.22 | 6 | 6.2 |
| Marine Midland/banking | 22¾ | 25¼–17 | 3.89 | 4.24 | 5.05 | 5 | 5.5 |
| Nabisco Brands/food processing | 31⅛ | 35 –25⅜ | 3.73 | 4.21 | 4.86 | 7 | 6.6 |
| Norton Simon/multicompany | 20 | 22⅛–14⅛ | 2.57 | 2.26 | 2.92 | 8 | 5.4 |
| Oakite Products/chemicals | 22¾ | 24½–18⅞ | 2.45 | 2.83 | NA | 8 | 6.7 |
| Procter & Gamble/household products | 79¼ | 85¼–67⅜ | 7.74 | 8.08 | 9.28 | 9 | 5.3 |
| Quaker Oats/food processing | 38 | 39⅝–31¼ | 4.55 | 5.01 | 5.70 | 7 | 4.7 |
| JM Smucker/food processing | 35¼ | 37½–24¾ | 3.35 | 4.08 | NA | 7 | 3.4 |
| Wal-Mart Stores/retail | 39⅞ | 44½–32⅞ | 1.73 | 2.50 | 3.19 | 16 | 0.6 |

NA: Not available.

*Sources: Wilshire Associates; Zacks Investment Research's Icarus Service; FORBES*